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JPRS-CPS-85-043

14 May 1985

# China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

No. 21, 20 Sep 1984

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PRC STATE COUNCIL BULLETIN, No. 21, 20 SEP 1984

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No. 21, 20 Sep 1984.

[This volume contains selected translations from the PRC STATE COUNCIL BULLETIN. Items marked [previously published] have appeared in other JPRS or FBIS publications.]

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VICE PREMIER TIAN JIYUN'S FOOD INDUSTRY CONFERENCE SPEECH

Beijing STATE COUNCIL BULLETIN in Chinese No 21, 20 Sep 84 pp 707-716

[Speech by Vice Premier Tian Jiyun [3944 4764 0061] at the National Food Industry Conference on 3 September 1984: "It Is Necessary for Our Food Industry To Have a Great Development"]

[Text] The main purpose of this national food industry conference is to ask everybody to study the problems of thoroughly implementing the "Outline for Development of the National Food Industry." This outline was formulated under the concerned guidance of the leading comrades of the party Central Committee and the State Council. They have summarized the experiences on the pros and cons in the development of the food industry since the establishment of the PRC and have amply manifested the spirit of the series of directives on development of the food industry issued by the party Central Committee and the State Council since the Third Plenum of the 11th CPC Central Committee. They are important documents in directing the development of the food industry and have been approved by the State Council. It is hoped that the various localities and various departments, in conjunction with the actual conditions, adopt vigorous measures to earnestly organize their implementation.

Today, I wish to express some views on the problem of further developing the food industry.

I. It Is Necessary To Fully Understand the New Situation Confronting the Food Industry

Since the Third Plenum of the 11th CPC Central Committee and following the readjustment of the national economy and the growth in agricultural production, the food industry of our country has achieved a relatively great development. It has formed 24 separate industries and trades including the grain-processing trade, oils and fats trade, sugar industry, starch industry, and so forth, and there are now in the country over 60,000 food industry enterprises publicly owned. In particular, development of the food industry in the countryside has been rather rapid, and the output value of the industry in 1983 increased by over 200 percent over that in 1979. At the end of last year, there were in the countryside of our country some 250,000 enterprises of the food industry and

2 million specialized households engaged in food processing. However, as a whole, our food industry is still very backward and is still a weak link in the whole national economy. The main existing problems are: antiquated equipment, backward technology, and absence of comprehensive utilization; low utilization rate of raw materials, as seen in the utilization rate of corn processing which is over 95 percent in some countries whereas in our country it is less than 80 percent; high consumption rate of energy, being generally 100 to 400 percent higher than in foreign countries; poor quality of products, poor hygienic conditions and very backward packing methods; lack of competitive power in exports and many of the food products exported have incurred huge losses. In economically developed countries, the gross output value of the food industry is usually higher than the gross output value of agriculture, but in our country, the gross output value of the food industry is only 30 percent of the gross output value of agriculture. This situation of our food industry is not suitable to the development of the national economy, particularly the development of agriculture. It is hardly suitable to the demand for continuously improving the standard of living of the people and does not conform with the needs of the export trade. It may be said that the food industry of our country is currently facing a new situation and a new challenge. It is necessary for us to fully understand this new situation, in order to meet this new challenge.

First of all, the great development of agriculture provides a reliable material foundation for the food industry and at the same time makes even higher demands on the food industry. In recent years, as a result of implementing a series of the party's guidelines and policies in the countryside, the enthusiasm of peasants for production has risen to an unprecedentedly high level and various kinds of agricultural and sideline products have greatly increased in production. Since 1979, our grain production has reaped a bountiful harvest for 5 years in succession. In 1982 and 1983, for 2 years in succession, grain production has increased by over 50 billion jin a year. In 1983, the gross grain output of the whole country was 774.5 billion jin, an increase of 165 billion jin over 1978, not only creating the highest record in history but also making our country rank first in the world. This year, summer grain and early rice have again reaped a good harvest. The output of summer grain is anticipated to amount to over 177 billion jin, an increase of 8.8 billion jin over last year, or an increase of over 5 percent. Accompanying the increase in grain production, the amount of grain purchases by the state has also greatly increased. In 1983, additional purchases of grain by the state in excess of the state purchase quotas amounted to 182.4 billion jin, exceeding by nearly 100 percent the 95.7 billion jin additionally purchased in 1978. Certain provinces and regions have changed their status of being grain importers to grain exporters. These conditions and figures fully denote that the grain situation of our country has really undergone a fundamental change and that, speaking for the country as a whole, the problem of "not having enough food to fill the stomach" has become history. At present, the peasants' granaries are fully to the brim; so are their oil jars and the phenomena of "difficulties in selling grain" and "difficulties in selling oil" have appeared. Meanwhile, in a similar manner, the granaries and oil jars of the state are both full to the brim, giving rise to the situation of "difficulties in storing grain" and "difficulties in storing oil." Both the extensive masses

of peasants and the grain departments are urgently demanding the development of the food industry and processing of agricultural products on the spot so that they can be speedily marketed. Many localities have reported that currently conditions of mildew and rot of large quantities of agricultural and sideline products, such as fruits, vegetables, aquatic products, and so forth, have developed, thus causing enormous losses.

Regarding agriculture and grain production, we must, on the one hand, note the situation of this great development and must note, on the other hand, that they are still at a low level. We should by no means be satisfied and stop without improving, or adopt a policy restricting the development of grain production. Compared with certain economically developed countries, our share on a per capital basis of the grain output of the country is much too small and is even less than that of the middle-level developing countries. Basically speaking, the food consumption structure of our people consists of grain in the main. The great masses of our people have simple meals, sufficient to fill their stomachs. Now, if our grain production is still at this low level, why is it that currently we feel an overabundance of grain, so much so that it cannot be fully disposed of? Of course, we may mention such causes as problems in the circulation sector, uneven distribution, underdevelopment of the process of exchange and so forth, but even more important is our backward food consumption structure which basically consists of the consumption of raw or simple grain, accompanied with a small consumption of meat, eggs and milk. If our food structure is changed and develops into a high level, then although the direct consumption of grain as food will suffer a corresponding reduction in quantity, the gross consumption volume of grain will greatly increase. On the surface, certain countries may appear not to have eaten much grain, yet their gross consumption volume of grain is much larger than ours. For example, in certain developed countries, on the average each person consumes only a little over 120 jin of grain a year but the quantities of meat, eggs and milk the average person consumes are actually transformed from over 1,000 jin of grain a year, and, in reality, his annual consumption of grain is some 1,200 to 1,300 jin. This consumption level may be described as being the result of food processing and processing of feed materials. Thus, it can be seen that our grain situation at present is still at a low level, that grain surpluses are only a temporary phenomenon, and that we should by no means adopt the policy of restricting grain production. On the contrary, we should, simultaneously with actively doing a good job of handling grain, vigorously develop the food industry and open up new uses for grain.

The relations between the food industry and agriculture are mutually promoting ones. Development of agriculture provides a material basis for the food industry while, in return, development of the food industry will further promote and stimulate development of agriculture. Food processing is the continuation and extension of agricultural production and is also an important link in the benign cycle of agricultural production. Under the conditions of a self-sufficient natural economy, food processing is a subsidiary trade of agriculture. Following the development of agricultural commodity production and industry, food processing has gradually developed into an industry. By means of the processing of agricultural products, and fully and rationally utilizing resources, agriculture's overall development is facilitated. Without processing, agricultural products,

particularly fresh agricultural products, cannot achieve large-scale commodity production. Food processing will lead to the production of feed materials, promote development of the breeding trade and in turn promote the development of the plantation trade, and thus facilitate the benign cycle of agricultural production. Hence, people have described food industry and agriculture as the two wheels of a wagon, which is rather symbolic of the relations between the two. In our country, we have a large rural population, but little cultivated land. In order to develop the rural economy, realize the quadrupling of the value of agricultural output, and enable the 800 million peasants to be enriched as soon as possible, it is necessary, aside from further developing agricultural production, to place our hopes on developing industries in the countryside, particularly development of the food industry and the feed materials industry. Therefore, speeding up the development of the food industry is not simply paying consideration to the food industry itself but also to the whole situation of developing the national economy of our country and to further opening up of markets for the development of agriculture. In view of the present situation of the large-scale development of agriculture in our country, if we do not vigorously develop the food industry and the feed materials industry, development of agriculture will be restricted. The leadership at various levels should pay sufficient attention to this problem.

Second, improvement in the standard of living of the urban and rural population also demands the speedy development of the food industry. In recent years, as a result of the development of production, the income of the people in the cities and in the countryside has increased rapidly. In 1983, the per capita income of the peasants amounted to over 300 yuan, an increase of 130 percent over 1978; in 1983, in the cities and towns, the livelihood income of staff members and workers averaged over 520 yuan per person, an increase of 66.5 percent over 1978. The rapid increase in the income of the urban and rural population imposed many new demands on industrial food. Among a portion of the peasants who have become rich before others, a situation has appeared in which people are asking for more spacious and comfortable living quarters, more nutritious food, more stylish clothing and high-quality goods and furniture. In the case of foods which in the past the peasants seldom asked for, such as foods for infants, foods with high nutrition, foods for the elderly, foods for health protection, readymade foods and foods for the tourists, they have now all become objects of their choice and purchases. It can thus be seen that the food structure of the peasants is undergoing a change and that the state of natural economy in which people eat what they themselves have produced has begun to be transformed. Increasing numbers of residents in cities and towns and tourists both at home and abroad are asking for diversified kinds of food, wishing to buy high-class food and food products of repute. However, our industrial foods are mostly semifinished products which have gone through crude processing and seldom can finished products be offered; they usually belong to the rank-and-file kinds and there is a scarcity of medium-grade and high-grade products. Moreover, their varieties are few and simple, their quality is poor and can hardly satisfy the livelihood needs of people in the urban and rural areas.

As a result of the food industry still being undeveloped, people in our country are obliged to spend much energy and time on preparing three meals a day. In the developed countries, of the food consumption of each person the proportion of industrial food is around 80 percent. In our country, the proportion is



only 32 percent, with the rest being made up of natural food without having gone through processing, being principally cooked for self-consumption. This has caused wastage not only in food resources and in energy but also in manpower, imposing rather heavy pressure on people's spirit. According to estimates made by specialists, every day nearly 200 million people mill around kitchen stoves and become really tired by having to cook three meals every day. Some comrades have described the situation as "tense in the morning, fighting hard at midday, and totally exhausted in the evening." This has adverse results on work, learning, educating the children and taking part in cultural activities. On the other hand, if we greatly enforce the development of readymade food and fast foods, we can greatly reduce household work and enable people to find more time and energy for work, for learning and for participating in various kinds of cultural activities, thus promoting the construction of material and spiritual civilization. The object of production and construction in our socialist country is to meet, to the maximum degree, the daily growing needs of the material and cultural life of the populace. For this reason, it devolves on us to greatly develop the food industry in order to meet the demands of the continuously rising standard of living of the people.

Third, in the food industry, it is necessary to greatly develop multilayer processing and overall utilization and to improve its economic benefits. Our country has abundant and rich food resources, but because of the backward state of the food industry, we are unable to carry out overall processing on most of them, resulting in heavy losses. Take, for example, the sweet potato and the potato. In foreign countries, both of them have been used as raw materials for the production of over 2,000 kinds of food and high-grade chemical-industrial products, but in our country, basically speaking, they have not been put to any extensive use. In our country, the plantation acreage of sweet potato is about 100 million mu, ranking first in the world, while the plantation acreage of ordinary potatoes is about 60 million mu, ranking second in the world. The aggregate annual output of both is about 145 million tons. A portion of these resources which can be greatly utilized is eaten as food by us without going through intensive processing, a portion is used as feed materials and, all in all, the economic benefits are low. On the contrary, if we resort to multilevel processing and comprehensive utilization, the economic benefits can be greatly increased. If potato chips are made into starch or modified starch, their uses can be greatly expanded and value can be increased by over 100 percent, and if, through intensive processing, they are made into fruit glucose syrup and glucose for processing with other foods, their value can be doubled. At present, in processing oil materials in our country, basically we adopt the squeeze and pressing method, but if only 70 percent of the materials are subjected to the immersion method, oil output can be increased by 600 million jin. If we remove the fat and grease from the soya beans first, before taking out the proteins, this single step alone can increase the value of each jin of soya beans by over 200 percent. At present, we generally process paddy into rice, but rice can in turn be processed into over 100 kinds of food. After taking out the principal products from the several kinds of raw materials mentioned above, the remainder consists mainly of subsidiary products, being mostly raw materials for processing into feed materials. Full utilization of the latter can lead to the development of the feed materials industry which, in turn, will promote the development of the breeding trade. Moreover, regarding the processing of meat, at present principally semifinished products are sold

and the traditional method is to turn them into cooked meat. Usually out of 1 jin of raw meat, only 6 liang of cooked meat remains as the end product. But if proteins, such as those from soya beans and peanuts, are added to make the meat into sausages, then not only can the value be increased but the protein resources of plants can also be fully utilized, thus more rationally increasing the nutritious value of the food. At the same time, in our country the overall utilization level of sugarcane is very low, but, in the overall utilization of sugarcane in the whole country, if we can attain a level equivalent to that of the Guangdong Jiangmen Sugarcane Chemical Industrial Factory, then output value can be doubled. In short, our food industry is just making a start. There is still much ground for maneuvers and a great development is surely in the making.

In addition, a great development of the food industry is exceedingly important to the return flow of money into the treasury, thus effecting a balance between the available supply of commodities and purchasing power. It expands foreign trade, accumulates funds and foreign exchange for the state, and increases employment.

From the various points mentioned above, it can be seen that a great development of the food industry is extremely important and exceedingly urgent. However, at present, some comrades do not have a sufficient understanding of the new situation confronting the food industry. Some other comrades believe that all goes well if we have grain and vegetables and have them cooked, using the available kitchen utensils, and fill our stomachs; and if we can procure fish and meat to improve life a little, then all would be too well. This is confining food consumption to the limited level of the tenets of "the first seven colloquial necessities of opening one's doors, namely, firewood, rice, oil, salt, sauce, vinegar and tealeaf." This is the ideology of the small farming economy of self-sufficiency. These comrades do not seem to understand that development of the food industry can fully utilize the agricultural resources and the various resources of wild life, and can open wide the food field, readjust and supplement nutrition, widen nutrition sources, and change the food composition of our people. This ideology is extremely incompatible with the development of the situation. Moreover, there are comrades who overlook the national conditions of our country. Regarding the problem of developing the food industry, they refute the role of the stall-type of production and of the arrangement of operating a store in front and a factory behind, and generally overlook the importance of developing the food industry in the countryside. It should be seen that the stall-type of production has a heritage of experiences in our country. Traditionally well-known foods and superb craftsmanship have mostly come from stalls and the setup of a store in front and a factory behind. Development of stalls and of the store in front and factory behind setup requires little investment but produces quick results, being the foundation stone for developing a modern food industry. Our country has a vast territory. Large stores of resources are scattered in the vast countryside. While our communication and transportation facilities are still undeveloped and energy supply is still insufficient, to demand that processing of all the major agricultural and sideline products be done in the cities would be irrational and could hardly be done. On the other hand, since our vast countryside has

abundant resources of manpower and many capable craftsmen, development of the food industry in the countryside and having processing work done on the spot can satisfy the livelihood needs of the peasants in the localities and provide many semifinished products for processing by food-processing factories in the cities. In addition, this will lead to the emergence of large numbers of specialized households in planting and breeding and of various kinds of service trades, and promote the construction of small cities and townships as well as development of commodity production as a whole. This is truly a road to enrichment of the country and people.

## II. Persistently Reform and Strengthen the Trade Management of the Food Industry

The party Central Committee has pointed out that this year's economic work will lay stress on getting good control of the two important matters of reforming the structure and opening to the outside. In his "Report on Government Work" submitted to the Second Session of the Sixth NPC, Premier Zhao urged that the steps taken in city reforms be quickened. We should, following the direction and principle of recent city reforms pointed out by Premier Zhao, formulate concrete programs one by one and gradually carry them out. Since the beginning of this year, the principal reforms we have carried out and are prepared to carry out are: the State Council's 10-article regulations on extending the decisionmaking power of state-run industrial enterprises; enforcing the practice of "no top ceiling and no lower limit" in bonuses and, at the same time, collecting a tax on excess-limit bonuses; commencing from the fourth quarter of this year, carrying out the second portion of the reform calling for collecting taxes in lieu of profits; instituting overall reform of the construction trade; instituting reform of the management system of the machine-building industry; instituting reforms on the circulation system between urban and rural areas and on the foreign trade structure; and studying the problems of reforming the financial structure and further reforming the industrial leadership structure and the state leadership organs.

In short, throughout the country a new situation of reform has emerged, and reforms have become a general trend. At present, the populace demands reform, the cadres hope for reform, and the leadership supports reform. Various fronts, various departments and various quarters are all probing the road to reform. Some reform projects have been carried out and have already achieved good results. Naturally, the reforms have met with hindering forces but very few people are really opposed to the reforms. The main force hindering the reforms has come from the bondage of customs and if only we can carry out penetrating and meticulous ideological work, we can without question overcome the hindering forces. In the course of the reforms, it is necessary for us to keep coolheaded, to adroitly guide actions according to circumstances, to act in a down-to-earth manner, and to proceed step by step, firmly and avoiding rushing headlong into mass action, or acting like a burst of wind, or making rash decisions. It is necessary to integrate the people's enthusiasm for reform with a scientific attitude, and also integrate the microscopic of power and enlivening of the economy with macroscopically holding tight to control. As for the new problems met in actual practice, we should experimentally try to find a solution for them and continue to observe those

that cannot be perceived clearly for the moment, but should desist from propagating them. Those that obviously run contrary to the policies of the party should be rectified in a timely manner. There may be instances of cadres working in party and government organs going into partnership with the populace to run enterprises, thus going against the principle of separation of government from the functions of enterprises and of separation between officials and merchants and officials and workers. These easily lead to seeking profits through wielding power and are disadvantageous to truly enlivening the economy. They should be rectified.

The food industry should be closely aligned with the new situation of national reform. Premier Zhao has pointed out that the food industry should proceed along the lines of strengthening the management of trade. Strengthening the management of trade refers to an important reform of its existing management structure. For a prolonged period, our food industry has all along carried out the system of departmental control and enforced the method of overlapping control, marked by department and localities carving up spheres of influence and subjected to separate control by the departments and the administrative regions. This system of control severs the inner links of trade. Regarding such matters as the utilization and development of raw materials, production planning and geographical distribution, use of funds and development of technology, introduction of technology, training and exchange of personnel, and supply and improvement of products, there is much diversity in handling methods and each party concerned goes its own way, thus resulting in restricting each other and blocking each other. Actual practice has shown that this system of management and control has seriously affected the improvement of socioeconomic results, making it difficult for the food industry to develop rapidly. This state of affairs must be rectified.

Putting the industry under trade control meets the needs of developing social production and scientific and technological progress and represents an important breakthrough in carrying out reform of the existing control system marked by the carving up of spheres of influence by the departments and localities. It requires us to eliminate the barriers created by departmental and regional ownership, to plan and coordinate the nation's food industry in an all-round manner, to promote the development of the food industry by establishing organs to provide the necessary information and consultative services, to organize and encourage all types of integration of the food industry, such as urban and rural integration, state-run and collective integration, state-run and individually run integration, state-run and foreign enterprise integration, and to develop specialized technology, new food resources, new techniques and new products. Displaying enthusiasm at various levels and starting from the central government to the provinces, municipalities, counties, countryside, township and rural villages, we should start in unison to run the food industry; the whole people, all the collectives and individuals should undertake the work together, with the state laying the stress on handling high-grade food products, and the collective enterprises, particularly teams of the people's communes and rural village enterprises, principally taking charge of the rank-and-file and popularized food products. It is necessary to turn out diversified forms of principal and subsidiary foods which suit the needs of various kinds of consumers and it is also necessary to display the superiority of each locality, develop one's own topnotch products and refrain from the stereotypes.

The Food Industry Association is a trade organ to promote the development of the food industry. Being detached from the administrative control sector, it can control the food establishments run by the various departments and various localities. It is unlike a general corporation which is occupied with business management and it can concentrate on doing a good job of trade control; it does not vie for profits with the enterprises but helps to extend the decisionmaking power of the enterprises and stir up the enterprises' enthusiasm; and it conforms with the principles of separating government from enterprise functions and enlivening the economy. Hence, the Food Industry Association is a good way to strengthen control of the food industry. The State Council has decided to give the association overall control of the country's food industry and has concurred with the State Economic Commission establishing a Food Industry Office and a Food Industry Technology Development Corporation. The latter two organs, in conjunction with the association, will form a triumvirate of organizations of the same trade or industry. Their functions are to help strengthening control over the food industry, carry out overall planning and coordinating, provide the necessary services and information, develop new techniques, and formulate policies and regulations governing food industry development. While we should give scope to the initiative of all departments, all regions and all trades and professions, it is necessary to make sure they make no attempts to monopolize trade. In strengthening trade control, some provinces and municipalities have already gathered certain new experiences. For example, Yangzhou City of Jiangsu Province has broken the situation of manyheaded leadership and of departments and localities separately dominating the food industry. The city has set up a leadership sub-committee over the food industry, a food industry association, and the China Weiyang Food Development Corp, and, by means of administrative, coordination and economic tactics, has achieved notable results in promoting the rapid development of the food industry. Meanwhile, a number of translocality, transdepartment and even transprovince and transmunicipality integrated enterprises have emerged and the food industry in the city appears to have been greatly enlivened. It is necessary that the various localities should, based on their actual conditions, continuously summarize, create and strengthen the new experiences in trade control.

### III. Further Liberalize Policy Toward the Food Industry

In order to speed up the development of the food industry, it is necessary to further liberalize policy toward the industry. We must, in accordance with the State Council's "Temporary Regulations on Further Extending the Decisionmaking Power of State-Run Enterprises," delegate power to the enterprises, extend their decisionmaking power in production and operation, and fully arouse their enthusiasm. Since the food industry has a relatively weak foundation and is an industry which develops rather slowly, we must adopt certain necessary supporting measures, as follows:

1. Investments on capital construction and technical transformation of the food industry should, over and above the level for the Sixth 5-Year Plan period, be progressively increased every year. In arranging the allocation of funds, aside of giving the budgeted funds to the relevant departments, a portion of the funds should be allocated to the food industry association so that the latter may, following the principle of providing support to the superior enterprises, provide major help to the enterprises in technical transformation, develop new products and establish experimental factories.

2. A policy of extensively raising funds must be enforced. The various localities and departments should support the food industry to open up the sources of funds from various sides, to absorb society's idle funds, and to allow state-run enterprises, collective enterprises, and individuals (except working personnel of party and government organs) to subscribe to shares. Foreign capital may also be utilized to develop the food industry in diversified forms such as jointly financed projects, cooperative production, compensation trade and so forth.

3. It is necessary to approximately raise the depreciation rate of fixed assets of state-run food industry enterprises, expand the medium- and short-term loans of banks, permit repayment of loans before paying the income tax and extend the loan repayment period. Commercial banks and agricultural banks at various levels should set aside a portion of funds for loans at discounted interest rates to support the technical transformation of medium-sized and small enterprises. Recently, the State Council has issued a circular announcing a policy of preferential treatment to merchant-run food industry and providing that this policy is applicable also to food industry of the same type operated by other quarters.

4. In order to support the technical transformation of the food industry, the business of hire and lease of domestic and imported equipment should be instituted. The rental charges of all equipment hired or leased from the food machinery hire-and-lease company subordinate to the China Food Industry Technology Development Corp should be allowed to be entered into the production cost. For whole-set equipment involving rather large rental charges, bank loans should be made available. Newly increased profits from equipment financed by bank loans may be used to repay the loans first before payment of the income tax. From such profits it should also be permissible to set aside staff welfare funds and sinking funds for staff bonuses. The repayment period of loans should also be appropriately extended.

5. Whenever possible, regulation by the market mechanism should apply to the prices of products of the food industry, with the exception of a few daily necessities. First of all, regarding minor food products with a large variety, control of their prices, just as in the case of products of small industries, should be gradually loosened and subjected to regulation by market mechanism. Second, as for newly developed food products, control of their prices should likewise be loosened and be subjected to regulation by the market mechanism. In regard to this problem, the State Commodity Prices Bureau and the Food Industry Association have been requested to study and formulate the concrete measures for enforcement.

6. It is necessary to encourage the development of traditionally well-known and special food products. As for products of this category that have been newly restored, their income tax should be reduced by half, just as in the case of minor food products. In the case of those traditionally well-known and special food products that have found their way into international markets, we should adequately increase the percentage of foreign exchange earnings that the relevant enterprises may retain so as to speed up their technical transformation.

7. In regard to enterprises and workshops specially producing infant food products and directly supplying fast meals and readymade food to students in colleges, middle schools and primary schools, whose products are not dealt with in the markets and which charge reduced prices, make only small profits and are mainly motivated by social benefit, they may be exempted from the products tax and the income tax.

8. In order to facilitate and develop the integration of food industry enterprises, the profit earnings of integrated plants in outside areas operated by factories in cities and towns may wholly be retained by the enterprises after payment of the income tax.

9. It is necessary to do a good job of producing raw materials for the food industry, to continuously increase their variety and improve their quality. Agricultural departments should adopt concrete measures to grasp well the construction of raw materials production bases. As for the raw materials needed by the food industry, the policy of charging prices according to quality and of charging good prices for high-quality products should be enforced.

10. Encourage the food industry to use raw materials procured at extra or increased prices and to comprehensively develop and utilize resources. Food enterprises suffering from losses or making only scant profits on account of the use of raw materials procured at increased prices may apply for exemption of the products tax. Profits realized from products under the category of products for preventing and treating pollution and new products from comprehensive utilization need not be delivered to the treasury for 5 years and may be retained by the enterprises for treating pollution and development of comprehensive utilization.

The rural food industry is an important constituent portion of the food industry of our country. It is necessary to encourage the peasants to develop on-the-spot food processing. People's governments in the various localities should formulate appropriate policies to give them active support.

#### IV. Speed Up the Technical Transformation of the Food Industry and Promote Technical Progress

Development of the food industry, besides establishing the necessary new enterprises, principally depends on technical transformation to fully tap the potentials of the existing enterprises. Existing enterprises form an important foundation for developing the food industry and technical transformation, rebuilding and expanded construction constitute an important way to vigorously developing the food industry. This method requires little investments and a short turnover period but produces quick results. It is far better than the results of putting up new undertakings.

Development of the food industry must depend on technical progress. The objectives should be to improve the quality of the products, increase the variety of products, and improve economic results. In promoting technological progress,

we should take products as the "leader" and production technique as the basis, and achieve the integration of the solution of difficulties with technology, with technical transformation and introduction of technology as well as the integration of production development with consumption reduction and improvement of the production environment and the integration of the research and findings of specialized technical personnel with the technical renovation of the populace. It is also necessary to adopt new technology, improve the level of planning and equipment of the food industry and gradually achieve production on a modernized technical foundation.

It is necessary to integrate modern technology with inheriting and developing the superior technique and skill in the making of traditional food products. Our traditional food products have a long history, well-known throughout the four seas and ranking first in the world for their appearance, flavor, taste, style and durability. We should continue to grasp well the work of salvaging, recovering, consolidating and improving the traditionally well-known food products and bring their superiority into full play, maintain their good name and strengthen their repute.

Since the food industry has a close relationship with the physique and health of the masses of people, it is necessary to follow the demands of the "Hygienic Laws on Foodstuffs," strive to create conditions for improving the environment of food production, performing well the job of food hygiene, and improving the health standard of the populace.

The food industry is an industrial department related to many sciences. It is necessary to organize the forces on various sides, strengthen scientific research and, as soon as possible, transform scientific techniques into forces of production. It is necessary to strengthen the development centers of trade technology and encourage specialists and scholars to organize various kinds of companies of technological development, inquiry and information services and engineering and planning. It is necessary to establish and perfect information centers and information networks so as to grasp and analyze in a timely manner the movements of domestic and external markets and economic intelligence in general and forecast the trend of changes in service of the enterprises. It is necessary to earnestly grasp, and grasp well, the solution of difficult technical problems of new products, to adopt new techniques, trial-produce new products and promote new domestic and foreign techniques.

Speeding up technological progress requires organizing according to plan the introduction of technology and employing the world's new technological achievements. In particular, it is necessary to pay close attention to the introduction of technical "software," key equipment and methods of scientific research and experimentation, and also advanced methods of management and control. In introducing technology and equipment from abroad, we must perform well the jobs of digesting and absorbing and of creating something new of our own. The methods employed are many and diversified. They include jointly financed ventures, cooperative production, inviting foreign technicians to teach, sending technicians abroad to learn, and so on.



We must grasp well development of the intellect and personnel training. The various localities and departments should train, in a planned manner, a contingent of staff members and workers who can satisfy the development needs of the food industry and have in their grasp knowledge of modern food production technology and technique, thus to transform the present condition of the ranks of staff members and workers being of a mediocre standard. Hence, it is necessary to strive hard to set up schools and institutions, specialized middle schools and training centers of good standing for the food industry. Institutions of learning with the necessary conditions should add to their curriculum courses on food and foodstuffs, on nutrition and various other specialized courses on food. They should also set up advanced courses for cadres and technicians, and strengthen the training of various kinds of specialized personnel.

The food industry is an industry of a comprehensive nature which comprehends the coexistence of many participating units and of various economic forms. People's governments at various levels should each strengthen their leadership over the industry and assign responsible comrades to its supervision. The food industry of our country has a long history. Our food resources are extremely plentiful and the capacity of our markets is enormous; hence, there is much ground for its development. I believe that if only we can liberate our thinking, are determined to reform, be brave in creating new things, and work arduously, we can surely make a great success of our food industry.

CSO: 4005/752

CIRCULAR ON MACHINE-BUILDING INDUSTRY MINISTRY REFORM REPORT ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 21, 20 Sep 84 pp 716-717

[State Council Circular on the approval and circulation of Ministry of Machine-Building Industry report on the reform of management system in the machine-building industry (31 August 1984)]

[Text] The State Council has approved the Machine-Building Industry Ministry's "Report on the Reform of the Management System in the Machine-Building Industry," which is now circulated to you. You are requested to study it seriously and implement it.

The machine-building industry shoulders the heavy task of providing technical equipment for our country's modernization. However, the separation into regions and departments, the isolation of systems and the situation of enterprises being "large and comprehensive" and "small and comprehensive" created by the existing system are seriously affecting the development of the machine-building industry and the smooth realization of the four modernizations. We must carry out reform as soon as possible and provide experience for the overall reform of the industrial leadership system.

1. A key to the reform of the industrial leadership system is to gradually separate the government from the enterprises by means of simplifying administration of governments at all levels and delegating power to the lower levels. Only under the circumstances of separating the government from the enterprises can we fundamentally solve the problem of division into regions and departments, break away from the limitations of regions and departments and develop various forms of joint and specialized coordination. The Machine-Building Industry Ministry's report has embodied this spirit, the direction is correct and the methods and procedures are feasible on the whole.

2. The reformed Ministry of Machine-Building Industry is a functional department of the State Council which is centrally in charge of the whole nation's machine-building trade, it should primarily be responsible for implementation of the relevant principles and policies of the machine-building industry, overall planning, comprehensive balance, organization and coordination, supervision and service. Other relevant departments, such as the State Planning

Commission, the State Economic Commission and so on, shall exercise management over the machine-building trade via the Machine-Building Ministry. Local government departments in charge of the machine-building industry at all levels should also simplify administration and delegate power to the lower levels, separate the government from the enterprises, and be centrally in charge of the whole trade as a functional department.

3. With the exception of the military industrial departments, all subordinate independent machine-building plants of various ministries of the State Council must delegate their power to the lower levels and must be subject to local registration and taxation. Once power has been given to the lower levels, the leading cadres of the enterprises must not be arbitrarily transferred in order to maintain stability. Following the delegation of power in the machine-building plants, organizations in charge of management of the machine-building plants should be appropriately dismissed, and it is necessary to select a few experienced cadres to take part in the professional planning group organized by the State Planning Commission and the Machine-Building Industry Ministry. The existing manufacturing, and circulation companies and companies selling complete sets of machine-building equipment of various departments must be reorganized in accordance with the principles put forth in the report, amalgamating or eliminating those that should be amalgamated or eliminated and changing public agencies (shiye danwei 0057 2814 0830 0143] into enterprises where appropriate. All must carry out independent business and be responsible for their own profits and losses. All provinces, autonomous regions and municipalities under direct central administration must work in compliance with this spirit.

4. It is necessary to provide the Ministry of Machine-Building with the necessary economic regulatory means to guarantee effective management. The six suggestions of the report have been approved and the departments concerned are requested to draw up specific methods in consultation with the Ministry of Machine-Building Industry.

5. Central management of the Ministry of Machine-Building Industry over the whole trade should start from drawing up the "Seventh 5-Year Plan. The State Planning Commission and the Ministry of Machine-Building Industry should organize various professional planning groups promptly and carry out work.

6. Enterprises of the military industrial department must work in compliance with the principle of integrating army and people and confirm the direction of producing products for civilian use. Production of civilian products must be included in the overall plans of the Ministry of Machine-Building Industry, and the military industrial departments should send personnel to participate in the relevant professional planning groups. Coordination between military industrial enterprises producing civilian products and people's enterprises must be stabilized by means of economic contracts in order to develop production potentials in a planned way.

Reform of the system of the machine-building industry is of great significance in the development of the machine-building industry and overall industrial reform. People's governments at all levels and all departments concerned must fully understand the necessity and importance of this task, work in close connection and exercise full support, ensuring the smooth progress of the reform.

## MACHINE-BUILDING MINISTRY REPORT ON MANAGEMENT REFORM

Beijing STATE COUNCIL BULLETIN in Chinese No 21, 20 Sep 84 pp 718-727

[Report by Ministry of Machine-Building on reform of management system in machine-building industry (30 July 1984)]

[Text] Since the Third Plenum of the 11th CPC Central Committee and under the leadership of the CPC Central Committee and the State Council, several reforms of the management system of the machine-building industry have been carried out in accordance with the principle of "readjusting, restructuring, consolidating and improving" and the principle of "attaching primary importance to planned economy and secondary importance to market regulation." The enterprises' decisionmaking power has been initially expanded, the first step of changing profits into tax has been carried out and various forms of the economic responsibility system have been implemented inside the enterprises; the system of planning has been initially carried out and the enterprises have begun to shake off from the situation of "three depending"--depending on task arrangement, on allocation of materials and on centralized sale of products; mechanical and electrical products were available in the market where prices fluctuated and superior products were purchased, thus beginning to break away from the original circulation system of the means of production; competition among enterprises began to emerge, developing economic joint ventures which carried out probing for rationally reorganizing the machine-building industry. The direction of these initial reforms is correct and the results are noticeable. However, since various links of the reform were disconnected, particularly the problem of separating the government from the enterprises being unsolved, the situation of being "scattered" and "comprehensive" which had existed in the machine-building industry for a long time could not be changed fundamentally. At present, there are 38 departments horizontally and, vertically, machine-building plants are managed by 6 levels--by the ministry, province, municipality, county, commune and brigade. This multidepartment and multilayer management system which fails to separate the government from the enterprises creates two serious flaws: first, division into regions and departments, isolation of systems, causing scattering, duplication, and waste; second, accelerating the situation of the enterprises being "large and comprehensive" and "small and comprehensive," and obstructing the development of professional large-scale production in the whole society. All this affects the better development of the machine-building industry. The machine-building industry shoulders the heavy task of providing technical equipment to the cause of the four modernizations, thus it is necessary to speed up the pace of reform in order to suit the development of the new situation.

In compliance with Premier Zhao Ziyang's instructions and in accordance with the plan of the state organs and the reform group of the industrial leadership system, we have treated reform of the system as an important element in the course of party rectification and have been carrying out research and seeking opinions in 9 provinces and municipalities and over 100 plants. The following are the opinions on reform of the management system of the machine-building industry:

The main objective of the reform is: organize the whole nation's machine-building trade, solve the question of dividing up into regions and departments and being scattered and repetitive; break through the limitations of regions and departments, develop professional production, solve the question of the enterprises being "large and comprehensive" and "small and comprehensive," in order to better realize the strategic goal of obtaining higher quality, superior varieties and higher standards, promoting economic results and providing technical equipment for the cause of the four modernizations.

The general assumption of the reform is: by focusing on separating government from enterprises and expanding the decisionmaking right of the enterprises, to achieve the two transitions and develop two kinds of horizontal relations, that is, machine building industrial departments at all levels move from managing enterprises to managing the whole trade and municipal governments move from directly managing enterprises to creating conditions and giving full play to the role of economic centers of the municipalities; to develop the horizontal relations of the enterprises, form various kinds of joint ventures, develop the horizontal relations of the manufacturing and utilization units, speed up close connection between equipment and technical work and better serve the utilization units.

#### I. Simplifying Administration and Delegating More Power and Expanding the Enterprise Decisionmaking Rights Simultaneously, Gradually Achieving Separation of Government From Enterprises

In order to separate government from enterprises, the crux is to specify the division of the rights and the work of the government and the enterprises in managing economic activities, with the government departments really having to achieve the goal of exercising effective control over major aspects and allowing flexibility in minor ones. Thus, it is necessary to clarify two points: first, distinguish what power is to be delegated or not; second, to whom should the decisionmaking right in production and management be delegated.

Generally speaking, building of production capacity, total number of workers and total amount of labor remuneration and so on have serious influence over macroeconomics and the decisionmaking right should be centralized by the state. Decisionmaking rights in production, supply and marketing activities under specified conditions of the production capacity, specific method of distribution under specified conditions of the total amount of labor remuneration, and appointment and dismissal of cadres, personnel transfer and purchase of equipment inside the enterprises under specified conditions of the total number of workers, and other production activities have less influence over macroeconomics and should be given to the enterprises themselves. Governments at all levels must not take on such work.

In view of the present situation in the machine-building industry, excessive and overrigid control over production, supply and marketing by governments at all levels is a major factor affecting the revitalization of enterprises and separation of government from enterprises. In order to achieve the goal of separating government from the enterprises, governments at all levels must delegate the enterprises' management decisionmaking rights to the enterprises themselves, vitalizing production, supply and marketing and giving full play to the internal dynamics of the socialist enterprises. The overall opinions on reform are as follows:

A. The Key to Reform of the System of Production and Planning Is to Gradually Reduce Mandatory Planning

The objective of mandatory planning is to ensure that the state's key tasks and their specific limits can be adjusted in accordance with the various situations during different periods. It can be divided into five elements at the present stage: 1) needs of the state's key capital construction projects and key technical renovation projects; 2) unassembled domestic parts of imported complete sets of equipment; 3) projects in aid of foreign countries and major exports; 4) national reserve; 5) needs of national defense and complete sets of military products. Among the mechanical and electrical products of the above five key state tasks (including products of the major cooperation sets), products of short-term supply are produced under mandatory planning in order to ensure state needs and others are to be purchased by the units concerned themselves.

In accordance with the above assumptions and in view of the present scope of the machine-building industry, the expected production value of mandatory planning accounts for about 30 percent of the total production value, and may involve about 1,000 key enterprises. Tasks of mandatory planning only account for parts or small parts of tasks of these enterprises. Thus, the production, supply and marketing activities of a large portion of enterprises become flexible, the workload of government departments at all levels decreases appropriately, making a longer stride toward the direction of separating government from enterprises. In the future and in the wake of the reform of the relevant economic system, the extent of mandatory planning will be further reduced.

B. The Key to the Reform of the Marketing System Is to Further Develop Multi-channel Circulation of Mechanical and Electrical Products

Contracts for products to be produced in accordance with mandatory planning are to be organized by the assigned departments and signed by the suppliers and customers; other products are to be freely marketed by the enterprises themselves. There must be various kinds of circulation channels: general contracts are to be adopted concerning complete sets of equipment and complete sets are supplied to the customers; marketable products which are produced in abundant quantities can be marketed by the manufacturing enterprises themselves or to be marketed by the entrusted circulation enterprises; orders for complete sets of products to be produced in coordination are to be placed directly in accordance with the principle of satisfying the demands of the suppliers and customers and with the principle of technical matching and being economically rational; it is also necessary to open up the markets of mechanical and electrical products, establish

trade centers and reduce circulation links so that the needs of thousands of thousands of families can be satisfied, supply and demand are better coordinated and that after-sale service will be stepped up.

C. The Key to Reform of the System of Supply of Raw Materials Is to Open up Markets on the Basis of Promoting a Balance Between Supply and Demand

The extent of flexibility of production, supply and marketing of the machine-building industry depends to a great extent on the degree of flexibility of the raw materials market. Many enterprises which worry that supply and demand of raw materials may be disrupted in the course of reform can adopt the method of progressive transition. In 1984, state-allocated steel products of the machine-building industrial enterprises accounted for about 50 percent of the total consumption, which was mainly used in mandatory planning and coordinated systems. Subsequent to a survey of the State Planning Commission, the State Commission for Restructuring the Economic System and the State Materials Bureau, it is held that the 1984 state allocation of steel products, copper and aluminum and other important materials to the various machine-building enterprises could be taken as the basis which would remain constant after examination (readjustments will only be made when there are significant changes in the key state tasks). This would be treated as the standard for state allocation, with orders to be placed directly by the enterprises. Great quantities of steel products resulting from stabilized relations and cooperation between the machine-building plants and steel plants are sent directly to the plants, roughly accounting for 50 percent of the state allocation quotas. The supply of imported steel products, which accounts for 16 percent of state allocation quotas at present and is recommended to increase to 20 percent, is to be stabilized and to be sent directly to plants; the remaining parts are to be purchased by machine-building plants directly from steel plants according to the assessed quotas or to be purchased through local or foreign materials enterprises. In the future, and in the wake of the increase of raw materials production, market supply can be gradually expanded and the proportion of planned distribution can be reduced appropriately. In order to expand the sources of raw materials in the market, the units producing raw materials must, on the one hand, increase self-marketing by means of increasing production and the state should, on the other hand, exercise control over raw materials but should also place some of them on the market in order to vitalize and master the market; simultaneously, all enterprises must also place raw materials which are temporarily not being used on the market, regulate deficits and speed up circulation.

Contracts for fuel and electricity are to be signed in accordance with the planned supply quotas and suppliers and users are to observe them.

D. Distinguishing Three Situations and Expanding the Enterprises' Right to Use Self-Raised Capital

Capital for consumption is to be used by the enterprises at their own discretion, wages and bonuses exceeding the stipulated extent of growth are to be regulated by means of taxation. Funds for simple reproduction are also to be handled by the enterprises themselves, the 30 percent fixed-assets depreciation centralized

by the departments in charge should be returned to the enterprises for renovation projects; key enterprises which are assigned with renovation tasks must increase the rate of fixed-assets depreciation faster and enterprises should take their own initiative to make arrangements in accordance with the approved plan so that key enterprises can take the first step in technical renovation. Capital for capital construction must be included in the state capital construction planning.

#### E. Expand the Enterprises' Decisionmaking Rights in Foreign Trade

We agree to promoting exports of mechanical and electrical products, speeding up imports of technology and accelerating the improvement of the technical standard of the machine-building industry in accordance with the principle of integrating industry and trade, technology and trade and exports and imports. There are many different standards and varieties of mechanical and electrical products, and it is necessary to carry out long-term after-sale service. Thus, we must expand the enterprises' decisionmaking rights in foreign trade and select some key enterprises to face the international market, allowing them to undertake technical and economic responsibilities and stand the tests of the international market. We must give the enterprises privileges in assessing the remittance exchanges of production costs, with the enterprises enjoying the right, in accordance with regulations, to freely use foreign remittances retained by them mainly on importing technology and importing key raw materials and spare parts. The export and import companies must implement an agent system and be responsible for organizing foreign marketing, commercial intelligence and service networks. It is hoped that all this will be considered in the reform of the foreign trade system.

F. In order to ensure that the enterprises vitalize production and management and gradually achieve separating government from enterprises, it is necessary to coordinate relevant reform measures simultaneously. It is necessary to simultaneously carry out simplifying government administrative procedures and delegation of power to lower levels and expand the decisionmaking rights of the enterprises; reform of the system of production, supply and marketing should be gradually coordinated with the management reforms of price, taxation, credit and so on; rules on maintaining the enterprises' decisionmaking rights and supervising the correct exercise of their rights should also be coordinated gradually.

#### II. Delegating More Power to the Enterprises To Break Through the Limitations and Develop Integration

For the purpose of changing the present situation of serious dispersal of the machine-building industry, it is necessary to grasp the cardinal link of delegating more power to the enterprises and develop horizontal relations and form various forms of integration in accordance with the principles which are conducive to developing productivity, making technical advances and improving economic returns. The specific assumptions are as follows:



A. Power is to be delegated to all subordinate enterprises of the Ministry of the Machine-Building Industry and, in principle, power is to be delegated to the central cities. It is also recommended that independent machine-building enterprises of other departments be delegated power and that provincial and autonomous regional machine-building departments (bureaus) refrain from directly managing the enterprises.

B. When power to manage the plants is delegated to the central cities, it is necessary to break through the limitations of departments and rationally organize various forms of integration in accordance with the internal relationship and the principle of voluntary participation and mutual benefit; however, we must not promote administrative companies. Plants in which there are close internal relationships can be incorporated into economic entities, certain enterprises which have strong independent business power may not necessarily be incorporated into companies, companies which lack internal relationships at present can be disassembled to arrange for new integration. The existing cross-city economic companies which are running satisfactorily must not be dismissed but power can be delegated to the cities concerned in order to benefit cross-city integration.

C. It is necessary to, in the course of delegating power to the enterprises, develop cross-city and cross-province integration and integration of autonomous regions and cities under direct central administration. Such integration should in general take the form of joint companies. There are two scales and different assessments concerning personnel of the companies and personnel of plants which join the companies; income from business of the companies is subject to taxation of the local government and is to be submitted by the companies and income of the plants is subject to local government taxation and is to be submitted by the plants themselves; the development plans of the various plants which join the companies are to be centrally coordinated by the companies; various tasks which are difficult for independent plants to accomplish (such as undertaking tasks of complete sets, import of joint technology and so on) are to be organized and managed by the companies, but most of the tasks are to be managed by the plants themselves. Large-scale enterprises, in particular, should be given full decisionmaking rights. Cross-province companies and those of autonomous regions and cities under direct central administration can form boards of directors. Plant directors of plants which join the companies should normally be nominated by the companies. The companies should work in accordance with the rules and regulations concerning the rules and regulations of these incorporated companies. Currently, there are already some loosely integrated cross-district and cross-department bodies, including joint scientific research production bodies, most of them operating on a joint business basis, so we must give them guidance in light of the actual situation and support their consolidation and development. Cross-city and cross-province companies and those of autonomous regions and cities under direct central administration must organize several companies in the same trade in accordance with the actual situation in order to benefit mutual competitions and mutual promotion, but they must not promote national monopoly companies.

D. Confirm the location of the "headquarters" in accordance with the actual situation. The majority situation is that the "headquarters" is set where most of the member plants gather; there are a few cross-city joint companies with "headquarters" in the guiding plant or in the city where the company is; "headquarters" of cross-province companies and those of regions and cities under direct central administration can be situated in the city where the company is, such companies being only a minority, though mainly composed of certain state backbone enterprises. The location of the "headquarters" after separating government from enterprises does not mean that a certain department is now in charge of the enterprises, it primarily indicates where registration can be made and where to submit taxation, and that government departments will no longer directly control production and administrative activities of the enterprises.

E. The above reform assumptions do not include the military industrial enterprises. Military industrial enterprises should implement military and civilian integration; production of mechanical and electrical products must be included in the overall planning of the machine-building industry; coordination between production of civilian products by military industrial enterprises and civilian enterprises should be stabilized by means of planning and the signing of long-term contracts and this will be conducive to development of productivity in a planned way.

### III. The Machine-Building Industrial Departments Must Face the Whole Trade, Reform Management Work and Strengthen Business Management

After separating the government from the enterprises, that state still needs the establishment of the Ministry of Machine-Building Industry as a functional department of the State Council. At the present stage, except for a few provinces and autonomous regions, it is necessary to maintain the machine-building industrial department (bureau) as a functional department of the local government. In big cities where the machine-building industry is relatively concentrated, there is also a need for a machine-building industrial department. However, machine-building industrial departments at all levels must carry out bigger reforms in the extent of management, functions and organization.

#### A. It Is Necessary to Face the Whole Trade

When power has been delegated to the enterprises, the Ministry of Machine-Building Industry will become a functional department of the State Council which is in charge of the national machine-building trade, the extent of management will not be limited to the existing 10,000-odd plants under the administration of the Ministry of Machine-Building Industry but must face all the 100,000 machine-building plants within the country. All machine-building industrial departments of various provinces, autonomous regions and cities under direct central administration must also face the whole trade and face thousands of local machine-building plants.

## B. It Is Necessary to Reform the Management Function

The future management function of the machine-building industrial departments will no longer be directly organized and directing the routine production and business activities of the enterprises, but is to promote better business management and primarily to manage well principles and policies, overall planning, comprehensive balance, organization and coordination, and supervision and service. The specific tasks are: 1) study and formulate specific principles and policies for development of the machine-building industry; 2) study and propose economic laws and regulations, concerning the machine-building industry; 3) formulate long-term planning for the machine-building industry; 4) organize various levels, from lower to higher, to formulate annual production plans, key construction and technical renovation projects and key scientific and technical development plans; 5) participate in proposing and adopting various regulatory means to ensure actualization of plans and planned targets; 6) arrange and coordinate major scientific research projects, exploitation of major products and technical import of the whole trade; 7) organize the proposal, amendment and approval of technical policies concerning the machine-building industry, state standards, professional technical standards and the proposal of producing series of products; organize and implement supervision of the quality of mechanical products, attestation and work in issuing production certificates; 8) organize and push forward information work of the machine-building industry and be responsible for organizing collection, analysis, handling and release of various types of basic information; 9) organize summation and exchange experiences; 10) organize necessary trade associations and guide their work. Various provincial, autonomous regional machine-building departments (bureaus) and such departments (bureaus) of cities under direct central administration must formulate specific duties in accordance with the above spirit.

## C. It Is Necessary to Streamline Management Organizations

Various professional bureaus of the Ministry of the Machine-Building Industry are now functional departments to manage this special trade and are the first-class organs of state power to manage the subordinate enterprises. In the wake of the delegation of power to the enterprises and separation of government from the enterprises, the first step is that various professional bureaus will no longer directly manage the enterprises and will only be functional bureaus of the ministry; the second step is to gradually establish the necessary trade associations as assistants of the government departments to grasp certain work of the trade. Under such circumstances, consideration can be given to integrating or dismissing the professional bureaus.

At present, there are three types of subordinate companies of the various professional bureaus and the Ministry of the Machine-Building Industry, it is necessary to distinguish the situations and carry out reforms: companies of the first type are responsible for circulation affairs and must be reformed to circulation enterprises which carry out business independently and be solely responsible for profits and losses; companies of the second type are responsible for affairs of complete sets of equipment and must be reformed to engineering and technical equipment companies which carry out business independently and be

solely responsible for profits and losses; companies of the third type are responsible for production and management (there are five of them now), those running satisfactorily can be consolidated and those running unsatisfactorily should be reorganized or dismantled.

Simultaneously, it is necessary to strengthen and establish necessary advisory organs. They should mainly study various proportions, carry out economic and technical development predictions, study how to correctly apply various regulatory means and put forth economic laws and regulations and so on. This is an organizational guarantee for scientific macrodecisions.

#### D. It Is Necessary to Give the Ministry of the Machine-Building Industry the Right to Carry out Business Management

In order to effectively carry out business management, it is necessary to give certain rights and regulatory means which are mainly: 1) establishment of new machine-building plants must be approved by the Ministry of the Machine-Building Industry or the provincial, autonomous regional machine-building industrial departments and machine-building industrial departments of cities under direct central administration prior to registration by the industrial and commercial administration and management departments; 2) newly promoted key capital construction and technical renovation projects must be arranged by the Ministry of the Machine-Building Industry; investment for key construction and technical renovation projects of the machine-building industry, credit index and key research development funds must be applied for and allocated by the Ministry of Machine-Building Industry in accordance with the development plans; 3) the prices of major mechanical and electrical products are to be fixed by the Ministry of the Machine-Building Industry except for a few products whose prices are fixed by the State Commodity Price Bureau. The system of floating prices can be adopted regarding most mechanical and electrical products and the prices of a few mechanical and electrical products can be fixed by the enterprises themselves; 4) participate in formulating taxation rates and taxable items of machine-building industrial products; 5) participate in fixing the loan rate of various trades and various enterprises of the machine-building industry, and loans for various uses; 6) according to the method of fixed-asset depreciation, participate in assessing the general fixed-asset depreciation of the machine-building industry, fix the categories of fixed assets and the specific depreciation years.

#### IV. Give Full Play to the Role of the Central Cities; Business Management and City Management Must Be Closely Integrated

Giving play to the role of the central cities in economic activities should be realized in two aspects: mainly give play to the role of the cities and also give play to the role of the municipal governments.

##### A. It Is Necessary to Carry out Reforms in Two Aspects in Order to Give Play to the Role of Cities

First, the municipal governments should simplify administrative procedures and delegate more power to the lower levels, and gradually attain the goal of separating government from the enterprises. Second, the municipal governments

must move from directly managing the enterprises to creating conditions for giving full play to the role of economic centers. Its main energy and financial and material resources must be used in promoting transportation and communications and public affairs, and cultural and public health affairs, providing the best social service to the plants and creating environments for better economic development in order to enhance the cities' "attractiveness" and "radioactiveness" and enable them to become economic centers of even larger extent.

#### B. There Are Two Main Aspects to Give Play to the Role of the Municipal Governments

First, do a good job in managing economic work which should be done by the government through the departments in charge of the machine-building industry. The main methods are: study the characteristics of the machine-building industry of the local cities and adopt policies and measures to encourage the development of superiority; formulate development plans of a local city's machine-building industry in accordance with the planning of the trade; promote coordination in implementing the plans as soon as possible, carry out supervision, examination and service; organize professional technical coordination and technical exchange; handle the appointment of directors of the local cities' enterprises and the managers of the companies. Second, handle well the relationship between the municipal government and the enterprises. Consideration can be given to the five regulations put forth in the draft factory law.

#### C. Trade Management and City Management Must Be Well Linked

The formulation of the development plan must be well integrated. Planning of the trade mainly specifies the guiding direction of the products of the various key enterprises and their development scale, and what characteristics the economic zones which are centered in the cities should give play to and what superiority is to be formed. In these areas, development plans of the machine-building industry of the various cities must conform to the overall planning of the whole trade. However, planning of the whole trade must start from the cities and fully consider the opinions of the local governments. The requirements of trade planning must also be concretely implemented by the municipal governments down to the enterprise level.

The work of organization and coordination, supervision and examination must be well integrated. In the course of implementing the plans, the Ministry of the Machine-Building Industry must be responsible for cross-district organization and coordination, supervision and examination, and the municipal governments must also solve questions of huge workload.

Promotion of public welfare affairs of the staff and workers of the enterprises mainly relies on the efforts of the municipal governments. While determining the distribution of the building of the productive force, the departments should give appropriate consideration to the situation of the development of local public and submit proposals to the government departments of the cities concerned.

## V. Break Through the Limitations of the Departments, Draw up Overall Planning in Order To Enable Close Integration of the Equipment Manufacturing and Utilization Departments

In order to bring about close integration of the manufacturing and utilization departments, it is impossible to proceed on the path of "two manufacturing systems." Most mechanical and electrical products are commonly applicable, some are applicable in certain user departments and there are a few such products for really special usage. In view of the trend of technical development of the modern machine-building industry, the production of special products involves common technology, including design theory and method, technique and equipment, and so on, and common coordination is required. From the perspective of investment results, a single plant should not only manufacture single products but must possess a certain degree of adaptability. Thus, it is inappropriate to assign to certain plants production tasks requiring special equipment. Management can be split among various departments on the condition of adhering to overall planning and centralized organization and coordination.

Under the circumstances that government and enterprises have not been completely separated, centralized organization and coordination can be achieved by adopting three forms in accordance with different situations:

First, construction projects must adopt new technical processes and when new complete sets of equipment are needed, the user department (such as the equipment of 15,000 tons of polyester fiber in the Shanghai petrification plant) may join with the manufacturing department (such as the 9 major pieces of equipment of the past), breaking the limitations of districts, departments and trades, organizing and uniting scientific research, design and manufacturing units and accomplish the task together.

Second, when there is a certain foundation for domestic production of complete sets of equipment necessary for construction items or when advanced technology has been imported, the manufacturing departments may play a dominating role in organizing the scientific research and design and manufacturing units to accomplish tasks in cooperation in accordance with the technical demands put forth by the user departments, breaking the constraints of districts, departments and trades. Some can even work in conjunction with foreign plants in design and manufacturing.

Third, design and manufacturing of relatively common complete sets of equipment which are also relatively independent in the entire course of the technical process, such as air filter equipment, sewage handling systems, substations and so on can be undertaken by the main equipment manufacturing plants or companies in accordance with the needs of customers.

Despite the form adopted, the machine-building industry must better serve the user departments.

Under the circumstances of separating government from the enterprises, it is possible to closely integrate the manufacturing and use departments by means of developing horizontal relations between production and demand and by the

methods of general contracts, subcontracts, inviting tenders and submitting tenders. Complete sets of equipment needed by the construction units can openly invite tenders, breaking through the constraints of districts and departments; all independent project undertaking companies and engineering and technical equipment companies can submit tenders. The company which obtains the tender can, by means of signing economic contracts, subcontract to the relevant scientific research, design and manufacturing units within the country. Thus, the technical demands of the user units will be more closely linked with the design and manufacturing of the equipment. As far as various sets of equipment needed by the customers are concerned, the equipment companies should act as the general deliverymen and be responsible for organizing production and on-the-spot service.

#### VI. Ten Things Which Must Be Done by the End of 1985

The above reform assumptions must be achieved gradually in accordance with objective conditions. From now until the end of 1985, we must strive to complete the following 10 tasks:

1. Put enterprises under a lower administrative level. Except for the Chinese Auto Industrial Co, the existing subordinate plants of the Ministry of the Machine-Building Industry must be put under a lower administrative level. Independent machine-building plants subordinate to other ministries must also be put under lower administrative levels. Those on the level of central cities should, in principle, be put below levels of central cities and those below the level of central cities are to be put under cross-city and cross-district companies.
2. Expanding the decisionmaking rights of the enterprises. In order to comprehensively implement the State Council's "Provisional Regulations on Further Expanding the Enterprises' Decisionmaking Rights," our ministry has drawn up methods of implementation by integrating the specific situation of the machine-building industry. Many enterprises have put forth questions beyond the provisional regulations; we intend to select certain enterprises to carry out trial points and give them greater decisionmaking rights. Simultaneously, we must seriously sum up and exchange experience on internal reforms of the enterprises. As regards expansion of the rights of the scientific research institutes and centers, we have already drawn up 10 specific regulations, plus 17 specific regulations regarding expansion of the rights of the academies. The order for implementation has already been given.
3. Relax control over production, supply and marketing. Starting from 1985, production plans of mechanical and electrical products have been further distinguished as guidance planning and mandatory planning, guidance planning is formulated from the lower to the higher levels. Reform of planned management of the machine-building industry will be further studied in accordance with the situation of reform of the entire planning system. It is necessary to work in coordination with the relevant departments to establish trade centers of the means of production and enliven the circulation of raw materials and mechanical and electrical products.

4. The manufacturing, complete sets and circulation companies of machine-building equipment of various departments must carry out stocktaking in accordance with the demands of the above reform of the machine-building industrial system. Before the end of 1985, companies which should be dismantled or amalgamated must be dismantled and amalgamated and those public agencies which should be changed into enterprises must really carry out independent business and be responsible for their own profits and losses.

5. On the basis of completing the above tasks, the Ministry of the Machine-Building Industry will lose its function of directly managing subordinate plants but will become a functional department of the State Council to implement the regulations of the State Council. The various professional bureaus inside the ministry will also lose their function of managing plants and will also become functional departments. We must, at the same time, carry out work of readjusting and streamlining the organs.

6. After readjustment and reorganization, it is necessary to establish certain engineering contracting companies, strengthen engineering and technical equipment companies, and select several construction items to trial-implement full contracting, probing experiences and summing up and popularizing experiences.

7. Sum up experiences of the several central cities in carrying out reorganization by breaking through the constraints of departments, and organize popularization. Sum up the experiences of several cross-department and cross-district joint bodies, including the scientific research and production joint bodies, and gradually popularize them.

8. Organize several trade associations and probe experience in actual practice.

9. Under centralized organization of the State Planning Commission, involve in formulating the Seventh 5-Year Plan of the whole trade. Two situations are to be distinguished in the course of transition: a) development plans of rolling stock and textile machinery must be primarily drawn up by the Ministry of Railways and Ministry of the Textile Industry, the Ministry of the Machine-Building Industry will be responsible for organization and coordination and consideration is to be given to equipment needed by production of products in short supply, complete sets produced in coordination and technical renovation of the enterprises. b) The machine-building capacity of other departments is subject to the overall planning of joint planning groups composed mainly of the State Planning Commission and the Ministry of the Machine-Building Industry and other departments. Enterprises which integrated army and civilian demands and whose production direction of civilian mechanical and electrical products is specified must also take part in the professional planning groups.

The Ministry of Machine-Building Industry must work in consultation with the State Planning Commission to put forth specific opinions on how to further promote overall planning of the whole nation's machine-building industry.



10. Establish an information system of the whole machine-building trade. Carry out a survey of the basic situation of the whole nation's machine-building enterprises, establish data bases and simultaneously step up market information of foreign and domestic markets and information analysis.

Planning for 1986 reform will be put forward based on the progress of the above 10 tasks.

Please give your views as to whether or not the above opinions are feasible.

CSO: 4005/752

PRC-ROMANIA ACCORD ON RECIPROCAL INVESTMENT SAFEGUARDS

Beijing STATE COUNCIL BULLETIN in Chinese No 21, 20 Sep 84 pp 731-734

[Agreement Between the Governments of the PRC and the Socialist Republic of Romania on Reciprocal Promotion and Protection of Investment]

[Text] The governments of the PRC and the Socialist Republic of Romania (hereafter referred to as "both contracting parties") have reached the following agreement in a bid to promote economic cooperation between the two countries and to create favorable conditions for investment made by either contracting party within the territory of the opposite contracting party:

Article 1

- A. Both contracting parties shall promote investment made by investors of the opposite contracting party within its own territory.
- B. Any investment made in accordance with the regulations stipulated by either contracting party which accepts the investment shall be promoted by this agreement.

Article 2

In this agreement,

(1) "Investment" refers to any direct or indirect participating shares accepted by a contracting party in accordance with its own regulations, or other forms of outflow of capital, including the investor's property used for investment and its growing value, in particular:

- (A) The shares of a company or other forms of participating shares;
- (B) The ownership of movable property and real estate and other types of ownership;
- (C) The profits from reinvestment, the right of monetary claim and the right of claim for any action of economic value;

(D) Industrial property rights, technological process, special skills, copyrights and other similar kinds of rights;

(E) Special rights, in particular rights of prospecting, extracting and exploring natural resources within the maritime space of the two contracting parties, vested in accordance with the law.

(2) "Profits" refers to the earnings, bonuses and other kinds of income.

(3) "Investors" refers to any economic incorporated bodies which have, according to the law of the contracting parties, the right to take part in any foreign economic cooperation.

(4) For the purposes of this agreement:

(A) "Direct shares" refers to the shares owned by the investors of a contracting party in any companies or other economic bodies within the territory of the opposite contracting party.

(B) "Indirect shares" refers to the shares of any companies or economic bodies within the territory of a contracting party related to other companies or other economic bodies within the territory of the same contracting party in which investors of the opposite contracting party have a share.

### Article 3

A. The treatment given by a contracting party to investors of the opposite contracting party within its own territory shall not be poorer than that given to investors of any third country.

B. The provisions of Section A of this article shall not apply in the following instances:

(1) Preferential treatment given to any third country by either contracting party as a result of joining any tariff union, free zone or regional economic body.

(2) Preferential treatment given to investors of any third country by either contracting party as a result of abiding by an agreement on avoiding double taxing or any international agreement on matters related to taxation.

(3) Preferential treatment given to any neighboring country for expediting border trade.

### Article 4

A. A contracting party can take over the investment of investors of the opposite contracting party within its own territory or take action with similar effect against such investment only when it is for the public interest and it shall be done in accordance with the law and the affected investors shall be compensated. Compensation shall not be improperly delayed and it can be cashed and freely transferred.

B. At the request of the interested party, the amount of compensation may be reviewed by the courts or other competent authorities of the country in which the investment is made.

C. If any dispute over the amount of compensation between the investor of a contracting party and the investor of the opposite contracting party remains unresolved even after the amount of compensation has been reviewed by the courts or other competent authorities of the country in which the investment is made, the investor of the opposite contracting party may make a request to his own country. The dispute shall then be settled by both contracting parties in accordance with Article 9 of this agreement.

D. If the investment made by an investor of a contracting party within the territory of the opposite contracting party is lost as a result of war, state of emergency or other similar factors, the treatment given to the affected investor by the opposite contracting party shall not be poorer than that given to investors of any third country.

#### Article 5

A. Both contracting parties shall ensure that the investors of the opposite contracting party can transfer the following money related to investment in accordance with their own law:

- (1) The capital invested, part of or the whole of earnings cleared from the transferred investment;
- (2) Profits from investment and other daily earnings;
- (3) Loans which are used for investment and which are recognized by both contracting parties and any interests gained from such loans;
- (4) The remuneration of the citizens of a contracting party who are allowed to work for the projects within the territory of the opposite contracting party.

B. The transfers in Section A of this article shall be done only after the investor has fulfilled his statutory commitments.

#### Article 6

If a contracting party has paid an investor in respect of a guaranteed project within the territory of the opposite contracting party, the opposite contracting party shall recognize that the investor's rights and commitments are taken over by the contracting party. The rights and commitments taken over by the contracting party shall not exceed those enjoyed by the guaranteed investor.

#### Article 7

The transfers in articles 4, 5 and 6 shall be done by means of the exchangeable currency used at the time of investment or other currencies acceptable to both contracting parties according to the official exchange rate of the contracting party accepting the investment on the date of investment. Such transfers shall not be improperly delayed.

## Article 8

This agreement shall also apply to investments made by investors of either contracting party from 1 July 1979 in accordance with the law of the opposite contracting party.

## Article 9

A. Any dispute between the two contracting parties over the interpretation and application of this agreement shall be settled through negotiation. If the dispute is not settled within 6 months from the date which the negotiation commences, it can be submitted for arbitration at the request of either contracting party.

B. The arbitration tribunal shall be established in the following manner: each contracting party shall appoint one arbitrator. These two arbitrators shall come to an agreement regarding the election of a principal arbitrator from any third country to be appointed by both contracting parties. Arbitrators shall be appointed within 3 months from the date which a contracting party requests the opposite contracting party to arbitrate the dispute and a principal arbitrator shall be appointed within 5 months from the same. If no arbitrator is appointed within the specified period, the contracting party which has failed to appoint the arbitrator shall agree that the vacant arbitrator is to be appointed by the Secretary General of the United Nations. If both contracting parties fail to reach an agreement on the appointment of the principal arbitrator, they shall agree that the vacant principal arbitrator is to be appointed by the Secretary General of the United Nations.

C. The arbitration tribunal shall arbitrate according to this agreement and any other similar agreements signed by both contracting parties. The tribunal's verdict shall be made by a majority vote and it shall be final and binding.

D. Both contracting parties shall be responsible for the expenses of their own arbitrator and the representatives taking part in the proceeding. The expenses of the principal arbitrator and other related expenses shall be shared by both contracting parties.

E. The tribunal may formulate its own proceeding.

## Article 10

A. This agreement shall take effect 30 days after the date which both contracting parties have made known that the lawmaking process for the purposes of this agreement has been completed. This agreement shall be effective for 10 years. The agreement shall continue to take effect unless a contracting party notifies the opposite party 1 year before the expiry of this agreement that this agreement is to be terminated.

Upon expiry of the 10-year effective period, either contracting party may at any time notify the opposite party to terminate this agreement. However, this agreement shall continue to take effect within 1 year from the date of notice.

B. Regarding any investment made before this agreement becomes invalid, the provisions of this agreement shall continue to apply for 10 years from the date which this agreement is terminated.

This agreement was signed in Bucharest on 10 February 1983 in duplicate written in Chinese, Romanian and English. All three versions shall have equal effect. In case of difference in interpretation, the English version shall be used for reference.

Chen Muhua [7113 1970 5478]  
representative of the Government  
of the People's Republic of China

Ion Dinca  
representative of the Government of  
the Socialist Republic of Romania

Beijing STATE COUNCIL BULLETIN in Chinese No 21, 20 Sep 84 pp 734-735

[A Protocol to the Agreement Between the Governments of the PRC and the Socialist Republic of Romania on Reciprocal Promotion and Protection of Investment]

[Text] Both contracting parties have agreed that the following contents shall form part of the agreement:

A. Regarding Section A of Article 4.

The compensation in Section A of Article 4 shall be equal to the actual value of the investment on the date of takeover.

B. Regarding Article 7.

The "transfers" which "shall not be improperly delayed" as mentioned in Article 7 means that such transfers shall be completed within a normal period of time.

This agreement was signed at Bucharest on 10 February 1983 in duplicate written in Chinese, Romanian and English. All three versions shall have equal effect. In case of difference in interpretation, the English version shall be used for reference.

Chen Muhua  
representative of the Government of  
the People's Republic of China

Ion Dinca  
representative of the Government of  
the Socialist Republic of Romania

CSO: 4005/752

PRC-SWEDEN ACCORD ON RECIPROCAL INVESTMENT SAFEGUARDS

Beijing STATE COUNCIL BULLETIN in Chinese No 21, 20 Sep 84 pp 735-738

[Agreement Between the Governments of the PRC and the Kingdom of Sweden on Reciprocal Protection of Investment]

[Text] The governments of the PRC and the Kingdom of Sweden shall persist in treating the investment of investors of the opposite contracting party within their own territory in a fair and reasonable manner and agree to the following:

Article 1

In this agreement:

A. "Investment" should mean various forms of capital used for investment by investors of a contracting party within the territory of the opposite contracting party in accordance with the latter's law and regulations, particularly:

(1) Movable property, real estate and other forms of ownership, for instance, mortgage estate lien, material rights and other similar rights;

(2) Shares of a company or other forms of rights;

(3) The right of monetary claim or other rights of claim for any action of economic value;

(4) Copyrights, industrial property rights, technological processes, brand names and reputation;

(5) Special commercial rights given to chartered persons which are enabled to enjoy legal standing for a period of time according to public law or any contracts.

B. "Investors" means:

With respect to the People's Republic of China, any companies, other legal persons or Chinese citizens approved by the Chinese Government to invest;

With respect to Sweden, Sweden citizens recognized by Swedish law and any legal persons within Swedish territory or any legal persons controlled by Swedish citizens of enterprises.

#### Article 2

A. Both contracting parties shall at all times ensure that the investment made by investors of the opposite contracting party is fairly and reasonably treated.

B. The treatment given by a contracting party to investors of the opposite contracting party within its own territory shall not be poorer than that given to investors of any third country.

C. Notwithstanding the provisions of Section B, if a contracting party has signed to organize any tariff union or free zone with any other countries, it shall be free to give more preferential treatment to investors from the participating countries. A contracting party shall also be free to give more preferential treatment to investors from countries which have entered into any bilateral agreement with it before this agreement is signed.

#### Article 3

A. A contracting party can take over or nationalize the investment of investors of the opposite contracting party within its own territory or take action with similar effect against such investment only when it is for the public interest and it shall be done in accordance with the law and the affected investors shall be compensated. Such compensation shall aim to permit the affected investors to maintain the same financial status before the takeover or nationalization. No takeover or nationalization shall be prejudiced. Compensation shall not be delayed without reason and shall be exchangeable. It can also be transferred to and from both contracting parties.

B. Section A shall also apply to daily earnings used for investment and cleared money at the time of clearing.

#### Article 4

Both contracting parties shall allow the following to be transferred by means of any exchangeable currencies in accordance with their own law and regulations. Such transfers shall not be improperly delayed:

(1) net profits, dividends, deduction charges, technical assistance charges and technical service charges, interest or other daily earnings from the investment made by investors of the opposite contracting party;

(2) all or part of the cleared money of investors of the opposite party;

(3) repayments of loans for investment which are recognized by both contracting parties;



(4) The income of the citizens of a contracting party who are allowed to work for a project within the territory of the opposite contracting party.

#### Article 5

If a contracting party has paid an investor in respect of a guaranteed project within the territory of the opposite contracting party, the opposite contracting party shall immediately recognize that the rights or the right of claim of the investor has been transferred to the contracting party, and that the investor's rights or right of claim is taken over by the contracting party, without prejudice to any rights enjoyed by the contracting party in Article 6. All the debts owed by the original investor to the opposite contracting party shall be deducted from the right of claim which the takeover involves.

#### Article 6

A. Any dispute between the two contracting parties over the interpretation of this agreement or its implementation shall be settled through negotiations between the two governments concerned.

B. If a dispute cannot be settled through negotiations, it shall then be submitted to an arbitration tribunal at the request of either contracting party.

C. The arbitration tribunal shall be an independent body. Each contracting party shall appoint one arbitrator. A principal arbitrator, a citizen from any third country, shall be elected by these two arbitrators and appointed by the governments of the two contracting parties. Arbitrators shall be appointed within 2 months of the date which a contracting party requests the opposite contracting party to arbitrate the dispute and a principal arbitrator shall be appointed within 3 months of the same.

D. If the period specified in Section C has not been complied with nor has there been any other arrangements, either contracting party may request the Secretary General of the United Nations to make the necessary appointment. If the Secretary General is a citizen of either contracting party or if he cannot perform the aforesaid duty, either contracting party may request the Deputy Secretary General of the United Nations who is responsible for all legal matters to make the necessary appointment.

E. The arbitration tribunal shall reach a decision, which shall be binding, by a majority vote. Both contracting parties shall be responsible for the expenses of their own arbitrator and legal advisors during the arbitration. The expenses of the principal arbitrator and other related expenses shall be shared by both contracting parties. The arbitration tribunal may make any different specification regarding the expenses. It may also formulate its own proceeding in other respects.

#### Article 7

No privileges or interests of the rights enjoyed by the citizen or company of a contracting party within the territory of the opposite contracting party according to domestic law or international law shall be infringed upon by any provisions of this agreement.

#### Article 8

This agreement shall apply to all investment after 1 July 1979.

#### Article 9

A. This agreement shall take effect from the date of signing.

B. This agreement shall be effective for 15 years. If after 14 years have elapsed and neither contracting parties has notified the opposite contracting party that it wishes to terminate this agreement, it shall continue to take effect. It shall become invalid 1 year after notice of termination has been received.

C. Regarding investment made before the effective date of the notice of termination, the provisions of articles 1 through 8 shall continue to take effect for 15 years from the effective date of the notice of termination.

This agreement was signed at Beijing on 29 March 1982 in duplicate written in Chinese, Swedish and English. All three versions shall have equal effect.

Wei Yuming [7614 3768 2494]  
representative of the Government  
of the People's Republic of China

Sten Sundfeldt  
representative of the Government  
of the Kingdom of Sweden

CSO: 4005/752

## RULES ON ENFORCING EXPORT COMMODITY INSPECTION REGULATIONS

Beijing STATE COUNCIL BULLETIN in Chinese No 21, 20 Sep 84 pp 739-748

[Rules for the Implementation of PRC Regulations on Inspection of Import and Export Commodities, Promulgated by the State Commodity Inspection Bureau on 1 June 1984]

[Text] Chapter I. General Principles

Article 1. These rules are specially formulated in accordance with Article 26 of the "PRC Regulations on the Inspection of Import and Export Commodities" (hereafter referred to as "Commodity Inspection Regulations").

Article 2. All import and export commodities must be inspected.

Consignee and user departments, as well as production, operation, storage and delivery departments, concerned with import and export commodities shall enforce the provisions of the "Commodity Inspection Regulations" and the present rules for their implementation.

Import and export commodity inspection bureaus in various provinces, autonomous regions and municipalities directly under the central authorities, as well as their branch offices (hereafter referred to as commodity inspection organs) shall, in accordance with the "Commodity Inspection Regulations" and the present rules for their implementation, perform the task of inspecting and supervising import and export commodities in their regions. They shall implement relevant state principles and policies, as well as the principle of "strengthening management, carrying out inspection with seriousness, fairmindedness and precision, safeguarding reputation, promoting foreign trade and serving the four modernizations" approved by the State Council for commodity inspection work.

Article 3. The PRC State Import and Export Commodity Inspection Bureau (hereafter referred to as State Commodity Inspection Bureau) shall compile a "list of varieties of commodities subject to inspection by commodity inspection organs" (hereafter referred to as "Variety List") for important import and export commodities, and shall carry out inspection as required by law. Commodities included on the "Variety List" shall be readjusted in line with the development of foreign trade. The "Variety List" shall be published by the State Commodity Inspection Bureau 60 days prior to its implementation.

Commodity inspection organs may, under the precondition of implementing the above-mentioned "Variety List" and in the light of actual conditions, compile a local variety list for a few important import and export commodities of their locality, and carry out local inspection as required by law upon approval by the people's government of the province, autonomous region or municipality directly under the central authorities.

Article 4. All aid materials, gifts, samples and other noncommercial articles included on the "Variety List" for import and export commodities, as well as import and export commodities traded in petty border trade in outlying districts where commodity inspection organs have yet to be set up, shall be exempted from inspection.

Article 5. Commodity inspection organs shall be responsible for the issuance and administration of certificates of origin for import and export commodities covered by the generalized preferential system.

Article 6. The State Commodity Inspection Bureau shall be responsible for the attestation of import and export commodity inspection. Units concerned must apply to the State Commodity Inspection Bureau for any attestation to be supplied to other countries.

Article 7. The inspection of imported and exported drugs shall be handled by drug inspection departments appointed by the Ministry of Public Health. The hygienic inspection and quarantine of imported foodstuffs shall be handled by food hygiene supervision and inspection organs, while that of exported foodstuffs shall be handled by commodity inspection organs. The quarantine of imported and exported plants and plant products, as well as the quarantine of imported and exported animals and of imported animal products, shall be handled by animal and plant quarantine offices, while that of exported animal products shall be handled by commodity inspection organs. The checking and verification of measuring instruments shall be handled by metrological departments. The safety supervision and inspection of imported and exported boilers and pressurized containers shall be handled by boiler and pressurized container safety inspection organs. The inspection in regard to specifications of ships (including offshore platforms), major marine equipment and materials, and container ships shall be handled by ship inspection organs.

Article 8. Equipment and materials imported, as well as export products produced and processed with foreign funds, shall be inspected and supervised in the same manner as ordinary import and export commodities.

## Chapter II. The Inspection of Import Commodities

Article 9. Import commodities which are included on the "Variety List" and are required by contract to be inspected and certified by commodity inspection organs shall be inspected by commodity inspection organs or their appointed inspection organs. Upon arrival of the consignment, consignee or user departments or delivery agents shall promptly apply for inspection at the port of arrival or destination. When applying for inspection, an application form must be filled out and relevant documents, such as contracts, invoices, bills of lading, packing lists and inspection standards, must be presented.

In regard to import commodities included on the "Variety List," commodity inspection organs shall, after accepting the application for inspection, affix their seal on the "Import Declaration" against which the customs office gives clearance.

Article 10. Import commodities not included on the "Variety List" shall be inspected by the consignee or user departments themselves after applying to local commodity inspection organs. If inspection cannot be carried out by these departments, inspection may be organized by their leading departments or carried out by commodity inspection organs upon request.

Results of inspection by the consignee or user departments or inspection organized by their leading departments shall be reported to commodity inspection organs within the period of claim. If compensation has to be claimed for anything found to be not up to standard, an application must be promptly submitted to commodity inspection organs for reinspection and certification.

Article 11. In regard to quantitative checking and the checking of weight by scales or flowmeter of import commodities in packing boxed (cases), and the external inspection of various types of equipment and materials, if the consignments are examined and accepted by consignee or user departments and if weight is checked by relevant departments, the supervision of inspection and the overseeing of weight checking shall be carried out by commodity inspection organs.

Article 12. Import commodities shall be inspected at ports or at centralized storage depots. The inspection of complete plants, mechanical and electrical instruments and so on, which need to be installed prior to testing according to contract provisions or international trade practices, shall be carried out at the place of collection or place of use.

Article 13. Consignee or user departments or delivery agents must promptly apply to commodity inspection organs at ports for inspection of damage if damage done to import commodities is discovered at the ports. The damaged portion shall be unloaded and stored separately.

Article 14. Import commodities shall be inspected according to the provisions for quality, weight, quantity, packaging and methods of sampling and inspection laid down in the contracts. If no such provisions have been made, or if the provisions are not clear, inspection shall be carried out according to the standards of the producing country, current international standards or Chinese standards. State provisions shall be followed if applicable.

Article 15. Commodity inspection organs shall issue an inspection findings notice to import commodities found to be up to standard, and shall issue an inspection certificate if they are found to be substandard or if inspection and certification by commodity inspection organs are required by contract.

Inspection certificates shall be issued if, outside of contract provisions and standard requirements, it is found that there are things which will obviously affect the quality and use of the commodities, or which are detrimental to health and safety.

Article 16. Ample quantities of representative reinspection samples must be kept if compensation for import commodities is to be claimed from other countries. The portion to be replaced by or returned to the exporter must be properly stored and must not be used.

### Chapter III. Inspection of Export Commodities

Article 17. Production and processing departments of all export commodities shall strictly carry out inspection of quality, weight, quantity and packaging, and clearly indicate all batches and lots in accordance with relevant regulations, and shall not offer any substandard products for export.

Operation departments of export commodities shall do a good job of examining and accepting purchased goods and shall not purchase or export substandard goods.

Commodity inspection organs shall carry out inspection and supervision on the basis of inspection by factories and examination and acceptance by operation departments.

Article 18. Export commodities included on the "Variety List" and export commodities which are required by state regulations and by provisions laid down in contracts or letters of credit to be inspected and certified by commodity inspection organs, shall be inspected by commodity inspection organs or their appointed inspection organs.

Export commodities included on the "Variety List" shall be cleared by the customs office against inspection certificates or clearance notes issued by commodity inspection organs, or against "Export Declaration" forms stamped by commodity inspection organs.

Article 19. If the quantitative checking and the checking of weight by scales or flowmeter are handled by production or operation departments or by relevant departments, the supervision of inspection and the overseeing of weight checking shall be carried out by commodity inspection organs.

Article 20. In regard to export commodities included on the "Variety List" and export commodities required by state regulations and by provisions laid down in contracts or letters of credit to be inspected and certified by commodity inspection organs, export departments shall promptly apply to commodity inspection organs for inspection. When applying for inspection, an application form must be filled out and relevant documents, such as contracts, letters of credit, factory inspection documents and inspection standards, must be presented.

In the case of sale by sample, a small-order sample, signed and sealed, must be presented.

Article 21. Export commodities shall be inspected strictly in accordance with the provisions for quality, weight, quantity, packaging, and methods of sampling and inspection laid down in the contracts (including small-order samples and blueprints) or in the letters of credit. If no such provisions have been made, or if the provisions are not clear, inspection shall be carried out in accordance with standards and relevant regulations decided on in a unified way by the State Commodity Inspection Bureau. State provisions shall be followed if applicable. Disqualified goods must not be released for export.

Commodities must not be released for export if, outside of provisions laid down in the contracts or in the letters of credit and outside of standard requirements, it is found that there are things which will obviously affect the quality and use of the commodities, or which are detrimental to health and safety.

Article 22. Commodity inspection organs shall notify the applicants to make readjustments if poor packaging and labeling, confused batches and lots, or obvious external irregularities are discovered during sampling and inspection.

Article 23. In the case of valuable export commodities, the departments applying for inspection must supply the quantity and weight in full after sampling. If this cannot be done, the commodity inspection organs shall mark the packaging of the sample with the word "sampled."

Article 24. Production, operation, storage and delivery departments shall strengthen the management of inspected and qualified export commodities and see to it that nothing goes wrong in terms of quality, weight, quantity, packaging, batches and lots. When shipping out the commodities, batches and lots must be checked to make sure that they tally with their description on documents.

Article 25. Export commodities that have already been issued an inspection certificate and a clearance memo shall have to be reinspected if shipped after the date of expiry. In the case of commodities that are unlikely to undergo a change in quality, credentials may be reissued by commodity inspection organs according to the situation after checking and sampling.

Article 26. Commodity inspection organs may, on the basis of regulations regarding inspection management, affix inspection labels on export commodities, or supply inspection labels upon request.

Article 27. Carriers, consignors and packing departments, or their agents, of ships and containers carrying perishable export foodstuffs, such as grain, oil and frozen goods, shall apply to commodity inspection organs for inspection at ports of loading or container terminals. They shall be issued a certificate by commodity inspection organs if they meet technical shipping requirements regarding cleanliness, sanitation and refrigeration. Consignors and carriers shall not ship cargoes without inspection certificates issued by commodity inspection organs.

#### Chapter IV. Notorial Inspection

Article 28. Notorial inspection relating to foreign trade shall be handled by the China Import and Export Commodity Inspection Corp and its subsidiaries (hereafter called commodity inspection companies) appointed by commodity inspection organs and the State Commodity Inspection Bureau.

Article 29. Specific items of notorial inspection relating to foreign trade handled by commodity inspection organs and commodity inspection companies include:

- 1) quality inspection of import and export commodities;
- 2) weight checking of import and export commodities;
- 3) quantity checking of import and export commodities;
- 4) the checking of packing and notation of import and export commodities;
- 5) measurement of cargo tonnage of import and export commodities;
- 6) inspection of cleanliness, tightness, the refrigeration hold and other loading facilities of railroad carriages, vessels and containers that carry import and export commodities;
- 7) supervision of the loading of export commodities, and supervision of the unloading of import commodities;
- 8) supervision of the vanning and sealing of container cargoes for export, and supervision of the unloading, unsealing and devanning of imported containers;
- 9) the sealing and unsealing of ship's holds;
- 10) the surveying of tank space and the measuring of cargo hold volume;
- 11) the appraisal of the stowage of export cargo ships and containers;
- 12) the hatch survey of carriers of import goods;
13. inspection of the hatch and the cargo of carriers of import goods;
- 14) inspection of damage to import goods;
- 15) inspection of marine damage to import goods;
- 16) the taking and sealing of loading samples, unloading samples, order samples and test samples of import and export goods;



17) the verification and issuance of certificates of origin and certificates of value, and the attestation of invoices and documents;

18) offshore inspection;

19) the handling of other notorial inspection relating to foreign trade.

Article 30. When applying for notorial inspection, the party engaged in foreign trade must fill out an application form and present the contracts, letters of credit, invoices, bills of lading, packing lists, standards needed for other specialized inspection, and other documents.

In the case of notorial inspection directly commissioned by a foreign party, the consignor must clearly state his requirements and terms of contract in a letter or telegram.

#### Chapter V. Supervision

Article 31. Consignee or user departments, production, operation, storage and delivery departments of import and export commodities, and appointed inspection organs shall all come under the supervision of commodity inspection organs.

Supervision and inspection to be carried out by commodity inspection organs includes:

1) the supervision and inspection of the quality, weight, quantity and packaging of import and export commodities;

2) the supervision and inspection of the setup, staff and equipment of inspection organs, as well as their inspection system, inspection standards, inspection methods and quality control;

3) other work related to the inspection of import and export commodities.

Article 32. Higher-level organs of consignee or user departments and of production, operation, storage and delivery departments shall supervise and speed up inspection by their subordinate units.

Article 33. The supervision of import commodities:

1) Foreign trade export departments shall promptly supply commodity inspection organs with information about the arrival of import goods and the direction of commodity flow.

2) Commodity inspection organs shall supervise and urge consignee and user departments to do a good job of examining and accepting imported goods, enforce state regulations prohibiting the installation, sale and use of uninspected import commodities, and carry out random checking as required.

3) Commodity inspection organs shall assign staff to major imported complete plants to carry out supervision and inspection. If necessary, they may also issue a "notice prohibiting installation and use" in regard to uninspected or disqualified equipment and materials. Installation and use shall only be permitted after cancellation of this notice.

4) After the arrival of imported vehicles, the user unit shall promptly register with commodity inspection organs for inspection and apply for a license from the transport and vehicle inspection section of the public security department. They shall also present inspection reports to commodity inspection organs 1 month before the quality guarantee expires. Their license may be revoked by the transport and vehicle inspection section of the public security department and they will be forbidden to drive the vehicles if they fail to present the report within the time limit.

5) Foreign trade operation departments shall promptly handle offshore claims on import commodities inspected and certified by commodity inspection organs, and shall promptly notify the consignee or user departments and commodity inspection organs of results of the claim.

Article 34. The supervision of export commodities:

1) Factories and mining enterprises producing export commodities shall register with commodity inspection organs and inform them of their inspection setup, inspection system, inspection staff and equipment, inspection standards and methods, as well as their quality-control work. Commodity inspection organs may assign staff to carry out supervision and inspection at any time.

2) In regard to the production and inspection of export commodities and the stocking and acceptance of goods by operation departments, commodity inspection organs may assign inspectors to be stationed in factories, send staff to inspect factories, or carry out spot checks, reinspection or sampling tests according to the situation. If necessary, inspection may be carried out in association with the leading departments of these units.

3) The management of export foodstuffs must be in accordance with the hygienic control of export foodstuffs.

4) Implement a quality licensing system in regard to major export commodities.

5) Factories and mining enterprises that do not pay attention to quality or which have caused accidents due to poor quality shall be enjoined by commodity inspection organs to make improvements. In serious cases, their leading departments may be advised to carry out readjustments, their registration may be canceled, or their quality license may be revoked.

6) Foreign trade operation departments shall promptly notify production departments and commodity inspection organs of foreign response to Chinese export commodities and of claims made by them.

Article 35. Commodity inspection organs shall seal and put under their management export commodities that have passed the inspection, or import commodities to be replaced or returned for which certification to the foreign supplier has been issued, according to the situation.

Article 36. Foreign trade operation departments shall exercise reason when concluding clauses on inspection in contracts. Commodity inspection organs shall notify departments concerned to make modifications for improvements if the contract clauses are found to be unsuitable during inspection and supervision.

Article 37. Staff of commodity inspection organs shall perform their duties only after they have passed assessments and been issued a warrant.

They shall wear uniforms and carry badges and warrants while on duty.

Article 38. Inspectors of consignee and user departments and of production, operation, storage and delivery departments of import and export commodities, as well as inspectors of inspection organs appointed by commodity inspection organs, shall perform their duties only after they have passed assessments by their leading departments, exclusively or in conjunction with commodity inspection organs, and have been issued a warrant.

Units concerned must keep their inspectors relatively stable and ensure that they can exercise their functions and powers independently.

#### Chapter VI. Penalties

Article 39. Any of the cases listed below shall be served a notice of criticism or fined up to 2 percent of the total value of the commodities by commodity inspection organs according to the seriousness of the case. The person responsible shall be given disciplinary punishment by his leading department when

1) import and export commodities that must be inspected by commodity inspection organs in accordance with "commodity inspection regulations" are not reported to commodity inspection organs for inspection;

2) import commodities examined and accepted by consignee or user departments are not submitted to commodity inspection organs for inspection, are not inspected according to provisions of the contracts or the prescribed standards, or do not have their inspection findings reported;

3) the name of the commodity is changed for the purpose of avoiding inspection by commodity inspection organs.

Article 40. Any of the cases listed below shall be fined up to 20 percent of the total value of the commodities by commodity inspection organs. The person responsible shall be given disciplinary punishment by his leading department. Violations of criminal laws shall be submitted to judiciary organs for adjudication and the meting out of punishment.

- 1) The act of forging, tampering with or altering the documents or seals of commodity inspection organs;
- 2) the buying or selling of any kind of inspection and appraisal certificate or inspection label issued by commodity inspection organs;
- 3) the unauthorized replacement or changing of the quality, weight and quantity of commodities after inspection by commodity inspection organs;
- 4) the deliberate alteration, removal or destruction of seals or labels affixed by commodity inspection organs on the packaging or on the commodities;
- 5) other acts of fraud.

Article 41. Fines shall be collected by commodity inspection organs. Those who are fined shall pay at specified banks within 10 days of receiving the notice of fine. If they fail to pay within the specified time, the specified banks shall impose a daily surcharge equal to 0.1 percent of the overdue fine starting from the 11th day and continuous until the day the fine is paid. The fine and surcharge shall be handed over to the state treasury.

Article 42. Objections to fines imposed by commodity inspection organs may be lodged with the State Commodity Inspection Bureau within 10 days of paying the fine. The State Commodity Inspection Bureau shall give its ruling on these cases.

If the State Commodity Inspection Bureau rules that no fine shall be imposed or that the fine be reduced or exempted, commodity inspection organs shall notify the banks to return the fine.

Article 43. Inspectors of import and export commodities shall be given disciplinary punishment for losses due to dereliction of duty. Cases of dereliction of duty involving violation of criminal laws shall be handed over to judiciary organs for punishment.

## Chapter VII. Miscellaneous

Article 44. Units and individuals that have always paid attention to the quality of import and export commodities, have conscientiously implemented the "commodity inspection regulations" and relevant stipulations, and have done remarkably well in inspection shall be commended or rewarded by commodity inspection organs or by their leading departments.

Article 45. Commodity inspection organs of their appointed inspection organs shall promptly and accurately carry out sampling and inspection of import and export commodities and issue certificates in accordance with regulations. Samples for inspection shall be supplied without compensation by the units applying for inspection. Samples left over after sampling and inspection shall be collected by units that applied for inspection within a specified time. If they are not collected within the time limit, they shall be handled by commodity inspection organs or inspection organs appointed by them.

Article 46. When inspectors are assigned by commodity inspection organs or their appointed inspection organs to perform duties at production units, ports, airports, stations, warehouses, construction sites or on board ships, the units concerned shall provide the necessary working conditions without compensation. Units applying for inspection shall supply the necessary auxiliary labor and tools without compensation.

Article 47. When commodity inspection organs or their appointed inspection organs carry out inspection or supervision in factories by sending (stationing) inspectors there, the departments concerned shall supply the necessary housing, inspection instruments and equipment, reagents, water, electricity and so on without compensation.

Article 48. If the units applying for inspection want to make modifications, additions or deletions to documents issued by commodity inspection organs, they must fill out an application for alteration. The documents shall be modified or reissued with the verification and approval of commodity inspection organs.

Article 49. If conditions permit, commodity inspection organs shall undertake domestic consignment inspection. In consignment inspection, they shall only be responsible for findings on the samples.

Article 50. Commodity inspection organs shall charge fees as prescribed in regulations for inspection and appraisal work. Fees for nondomestic consignment inspection (including applications made by domestic units on behalf of foreign firms) shall be paid in foreign exchange. The method of collecting fees shall be formulated or checked and ratified by the State Commodity Inspection Bureau.

Units appointed by commodity inspection organs to inspect import and export commodities may charge units applying for inspection at their discretion. The method of collecting fees shall be formulated by the leading departments of inspection organs concerned.

Article 51. The State Commodity Inspection Bureau shall be responsible for the revision and amendment of the present rules and for the formulation of specific methods of management related to them.

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## PRC REGULATIONS ON HYGIENE CONTROL OF EXPORT FOODSTUFFS

Beijing STATE COUNCIL BULLETIN in Chinese No 21, 20 Sep 84 pp 748-751

[PRC Regulations on the Hygienic Control of Export Foodstuffs (Provisional), Promulgated by the State Commodities Inspection Bureau and the Ministry of Public Health on 20 July 1984]

### [Text] Chapter I. General

Article 1. The present regulations are specially formulated in accordance with relevant provisions in the "PRC Food Hygiene Law (Provisional)" (carried in issue No 19 of 1984 of this BULLETIN) and the "PRC Regulations on the Inspection of Import and Export Commodities" (carried in issue No 2 of 1984 of this BULLETIN) for the purpose of guaranteeing the quality of export foodstuffs and safeguarding the nation's reputation.

Article 2. All engaged in the processing, handling, storage and transportation of export foodstuffs within the territory of the PRC shall comply with the present regulations.

Article 3. The present regulations shall apply to all export foodstuffs (including all finished products and raw materials, both edible and potable, as well as foodstuffs in which medicines are added according to traditional usage), and to food additives, food containers, packaging materials and food-processing tools and equipment for export foodstuffs. They shall also apply to the processing and handling places, facilities, technological processes, means of transport and related environments for export foodstuffs.

### Chapter II. Organs of Supervision, Inspection and Control

Article 4. The duties of the PRC State Import and Export Commodities Inspection Bureau (hereafter referred to as State Commodities Inspection Bureau) in carrying out health supervision and inspection of export foodstuffs shall be:

- 1) to organize and lead the import and export commodities inspection bureaus of provinces, autonomous regions and centrally governed municipalities and their branch offices (hereafter referred to as commodity inspection organs) in carrying out health supervision and inspection of processing factories, slaughterhouses, cold storages and warehouses for export foodstuffs (hereafter referred to as export food factories and warehouses) and over export foodstuffs;

2) to formulate and promulgate the "Minimum Health Requirements for Export Food Factories and Warehouses" and the "Detailed Rules and Regulations for the Registration of Export Food Factories and Warehouses," and to formulate and promulgate, as required, quality-control standards and relevant regulations for export foodstuffs;

3) to exercise unified control over the registration of export food factories and warehouses in the whole country.

Article 5. The duties of commodity inspection organs in carrying out health supervision and inspection of export food factories and warehouses and of export foodstuffs shall be:

1) to supervise the implementation of relevant regulations on the hygienic control of export foodstuffs;

2) to carry out health supervision and inspection of export food factories and warehouses and of export foodstuffs within their jurisdiction;

3) to examine and handle the registration of export food factories and warehouses within their jurisdiction.

### Chapter III. Registration

Article 6. As required by the "Detailed Rules and Regulations for the Registration of Export Food Factories and Warehouses," export food factories and warehouses must apply to commodity inspection organs in the provinces, autonomous regions or centrally governed municipalities where they are located for registration.

Article 7. Export food factories and warehouses applying for registration must conform to the "Minimum Requirements for Export Food Factories and Warehouses"; while those applying for registration abroad must conform to the veterinary and health requirements set by the health authorities of the importing countries.

Article 8. Export food factories and warehouses shall start processing or storing export foodstuffs only after they have obtained a certificate of registration and approval number.

### Chapter IV. Supervision and Control

Article 9. Commodity inspection organs shall carry out health supervision over export food factories and warehouses and over export foodstuffs within their jurisdiction.

1) They shall dispatch veterinarians and food hygiene inspectors to supervise the enforcement of veterinary and health regulations in export food factories and warehouses. They shall also take part in examining the hygienic suitability of selected sites and designs for the construction, expansion and renovation of export food factories and warehouses and in checking and accepting these projects.

2) When performing their duties, veterinarians and food hygiene inspectors may ask export food factories and warehouses to produce relevant documents for examination. Processing, handling, storage and transportation departments shall not deny them access or conceal such documents.

3) They shall exercise supervision and guidance over the work of inspection organs in export food factories and over the hygienic processing, packaging, storage, shipment and handling of export foodstuffs.

Article 10. Export food factories and warehouses shall formulate a hygienic control system and be responsible for the hygienic quality of export foodstuffs.

1) They shall implement the relevant regulations of state food hygiene laws and decrees, hygienic standards and quarantine.

2) They shall enforce the hygienic control system and the stipulated veterinary and hygienic requirements.

3) An inspection body shall be set up directly under the leadership of the factory director, and there shall be a complete set of inspection and control systems.

Article 11. Handling units shall supply commodity inspection organs with health laws and regulations, standards, inspection methods and other regulations of importing countries concerned. They shall also strengthen the checking of the hygienic quality of export foodstuffs before acceptance and shall not accept anything that is not up to standard. Foodstuffs that are up to standard and accepted must be given clear batch numbers, with appropriate certificates for each batch, and properly stored to prevent them from being contaminated.

Article 12. The sanitation, temperature and so on of the means of transporting export foodstuffs must be up to the technical requirements of food hygiene. Meat products for export shall be checked and released by relevant quarantine units against veterinary certificates issued by commodity inspection organs.

#### Chapter V. Inspection and Release

Article 13. All export foodstuffs shall be inspected. Anything not inspected or not up to standard shall not be exported.

Article 14. Commodity inspection organs shall act according to the following regulations when performing quarantine and health inspection in respect of export foodstuffs.

1) Where the health authorities of importing countries have special requirements for food quarantine and hygienic quality, inspection shall be carried out according to the specifications.



2) Where specific food quarantine and hygienic quality are stipulated in the export trading contracts, inspection shall be carried out according to the contract specifications.

3) Where no specific requirements for quarantine and hygienic quality are stipulated in the export trading contracts, or where the importing countries do not require quarantine and health certificates, inspection shall be carried out according to national food hygiene standards or export foodstuff quality inspection standards.

Article 15. Foodstuff inspected and found to be up to standard by commodity inspection organs shall be issued certificates according to regulations. If necessary, inspection labels may be provided upon the request of the trading partner.

Customs shall release goods against certificates of inspection issued by commodity inspection organs or against the seal of approval on the "export declaration."

Article 16. Export foodstuffs that have already been inspected and issued a certificate of inspection by commodity inspection organs or which have already obtained a seal of approval on their "export declaration" must be exported with the period of validity. If the period of validity is exceeded, the foodstuffs must be reinspected.

#### Chapter VI. Penalties

Article 17. The following are violations against the present regulations:

1) registered export food factories and warehouses commissioning unregistered factories and warehouses to process or store export foodstuffs;

2) unregistered factories and warehouses passing themselves off as registered export food factories and warehouses in processing or storing export foodstuffs;

3) using unhygienic raw materials or supplementary raw materials in processing foodstuffs or applying for export clearance with adulterated foodstuffs being passed off as foodstuffs that are up to standard;

4) replacing foodstuffs for export without authorization after they have been inspected by commodity inspection organs;

5) altering certificates signed and sealed by commodity inspection organs or changing the inspection labels;

6) exporting uninspected foodstuffs without authorization;

7) failing to report contamination or putridity found prior to shipment of foodstuffs that have already been certified by commodity inspection organs;

8) other acts of violation against the present regulations.

Article 18. Any of the acts listed in Article 17 of the present regulations shall be punished in accordance with relevant provisions of the "PRC Regulations on the Inspection of Import and Export Commodities," or subject to the following disciplinary actions by commodity inspection organs:

- 1) a warning to reform within a stated period;
- 2) the cancellation of certificate of registration and approval number.

The cancellation of certificate of registration and approval number must be reported to the State Commodity Inspection Bureau for approval.

Article 19. Penalties and disciplinary actions are to be enforced by commodity inspection organs. Those subject to penalties or disciplinary actions may appeal to the State Commodity Inspection Bureau within 10 days of receiving their notice, and adjudication shall be made by the State Commodity Inspection Bureau.

#### Chapter VII. Supplementary Articles

Article 20. The State Commodity Inspection Bureau is responsible for the revision, amendment and interpretation of the present regulations.

Article 21. The present regulations shall be put into trial implementation on 1 January 1985.

From the date they are put into trial implementation, the present regulations shall be taken as the standard if they are found to contravene previously promulgated regulations concerning the hygiene of export foodstuffs.

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END